



STATE OF MAINE  
PUBLIC UTILITIES COMMISSION  
242 STATE STREET  
18 STATE HOUSE STATION  
AUGUSTA, MAINE  
04333-0018

THOMAS L. WELCH  
CHAIRMAN

WILLIAM M. NUGENT  
STEPHEN L. DIAMOND  
COMMISSIONERS

December 1, 2002

Senator Norman K. Ferguson, Jr.  
Representative William R. Savage]  
c/o Office of Policy and Legal Analysis  
13 State House State  
Augusta, ME 04330-0013

Dear Senator Ferguson and Representative Savage:

Pursuant to P.L. 1998, Chapter 764, "An Act to Delay the Implementation of Performance Budgeting for State Government," I am attaching our draft Strategic Plan for Fiscal Years 2004 and 2005. This is an updated version of the draft Strategic Plan that we submitted to you in 2000 with our Program Evaluation Report.

While the Commission is a designated member of the Business Licensing and Regulation Policy Area; with an exception of the Office of the Public Advocate, we have little in common with the agencies in this policy area. Therefore, during the past summer, we forwarded this draft plan to the Office of the Public Advocate (OPA), the Department of Economic and Development (DECD), the State Planning Office (SPO), and the Department of Environmental Protection (DEP) in an attempt to determine whether or not there were overlapping areas where coordinated efforts would result in a more effective and efficient use of state resources. As a result of these effort we determined that there were limited, if any areas, that would result in savings to the State.

While we believe that we have many useful measures, we included two measures of customer satisfaction with Commission services based on the suggestions from the Joint Standing Committee on Utilities and Energy during the 120<sup>th</sup> Legislature. These are: (1) the ratio of the number of orders appealed per 100 orders issued per year and (2) the ratio of the number of Consumer Assistance Division decisions appealed to the Commission per 100 cases resolved per year. We will continue to update and refine our strategic plan and performance measures as necessary during the coming year.

Please call me if you have any questions please contact Marjorie McLaughlin at 287-1365 or me at 287-1353.

Sincerely yours,

Dennis L. Keschl, Administrative Director  
Maine Public Utilities Commission

PHONE: (207) 287-3831 (VOICE)

FAX: (207) 287-1039

TTY: 1-800-437-12

MAINE PUBLIC UTILITIES COMMISSION'S

2002 STRATEGIC PLAN

for

Fiscal Years 2004 and 2005

submitted

pursuant to

P.L. 1998, CHAPTER 764

December 1, 2002

## Executive Summary

P.L. 1995, Chapter 704, “An Act to Implement Performance Budgeting in State Government,” established a time line and system for implementing performance budgeting by the biennium 2000-2001 beginning with a comprehensive strategic plan for each agency. P.L. 1998, Chapter 764, “An Act to Delay the Implementation of Performance Budgeting for State Government,” delays the implementation to allow departments and agencies of State Government time to further refine strategic plans and to solicit additional input from the Legislature. This draft outlines the Maine Public Utilities Commission’s (the Commission’s) strategic plan, revised pursuant to P.L. 1998, Chapter 764 and guidance from the Bureau of the Budget, and provides our current strategic planning mission statement, goals, and objectives for the 2003– 2004 (FY2004 and FY2005) biennium. This draft is subject to revision based on input from the Legislature and other stakeholders.

The Commission’s strategic planning mission statement is:

*The Maine Public Utilities Commission regulates utilities to ensure that safe, adequate and reliable utility services are available to Maine customers at rates that are just and reasonable for both customers and public utilities. For the purposes of this document, “utility services” means electric, gas, telecommunications and water services.*

The Commission’s goals, derived directly from statute, are:

*To assure safe, reasonable, and adequate electric utility services at rates which are just and reasonable.*

and,

*To develop and implement electric energy conservation programs... (that must be) consistent with the objectives of an overall energy strategy developed by the Commission and be cost effective.*

This strategic plan continues to reflect our preference for competition and market mechanisms to meet our goals to reduce the costs of utility services and to provide superior service quality and reliability for consumers. Meeting our goals will help to improve Maine’s regional, national, and global competitiveness and improve its business climate and overall economic health.

## II. ANALYSIS OF ENVIRONMENT

In this section we briefly discuss the Commission’s evolving mandate, analyze the trends that shape the Commission’s ability to carry out its duties, and summarize some of the Commission’s recent responses to the changing regulatory environment.

## A. Commission Profile

The Commission was created in 1913 to regulate monopoly providers of essential services identified by the Legislature. The Commission's activities are governed by Title 35-A of the Maine Revised Statutes. Section 101 of Title 35-A provides that "[t]he basic purpose of this regulatory system is to assure safe, reasonable and adequate service at rates which are just and reasonable to customers and public utilities." In the second session of the 120<sup>th</sup> Legislature, P.L. 2001, ch. 624 was passed. This law requires that "the commission shall develop and, to extent of available funds, implement conservation programs...consistent with the objectives and overall energy strategy developed by the commission and be cost effective..." The Commission is currently working to meet the requirement of this newly mandated program.

Three Commissioners, who are nominated by the Governor and confirmed by the Legislature, head the Commission. The Governor designates one of the Commissioners as Chairman. The Commissioners serve staggered six-year terms.

The Commission, which is authorized 63.5 full-time positions, and one long-term temporary position to oversee the construction of the gas pipeline transmission and distribution systems underway in Maine, is currently operating with 60 full-time employees. These employees are allocated among the Commission's five divisions: Legal, Finance, Technical Analysis, Consumer Assistance and Administrative.

As of November 26, 2002 there were nearly 700 certified public utilities in the State of Maine over which the Commission has jurisdiction. These public utilities fall into the following categories:

Electric	13
Communications:	
Local Exchange Carriers	24
Interexchange Carriers	251
Competitive Local	17
Competitive Local and IXC	52
Facilities Based IXC	19
<b>COCOTs<sup>1</sup></b>	<b>139</b>
Gas	3
Water	159
Water Carriers	9
Total	662

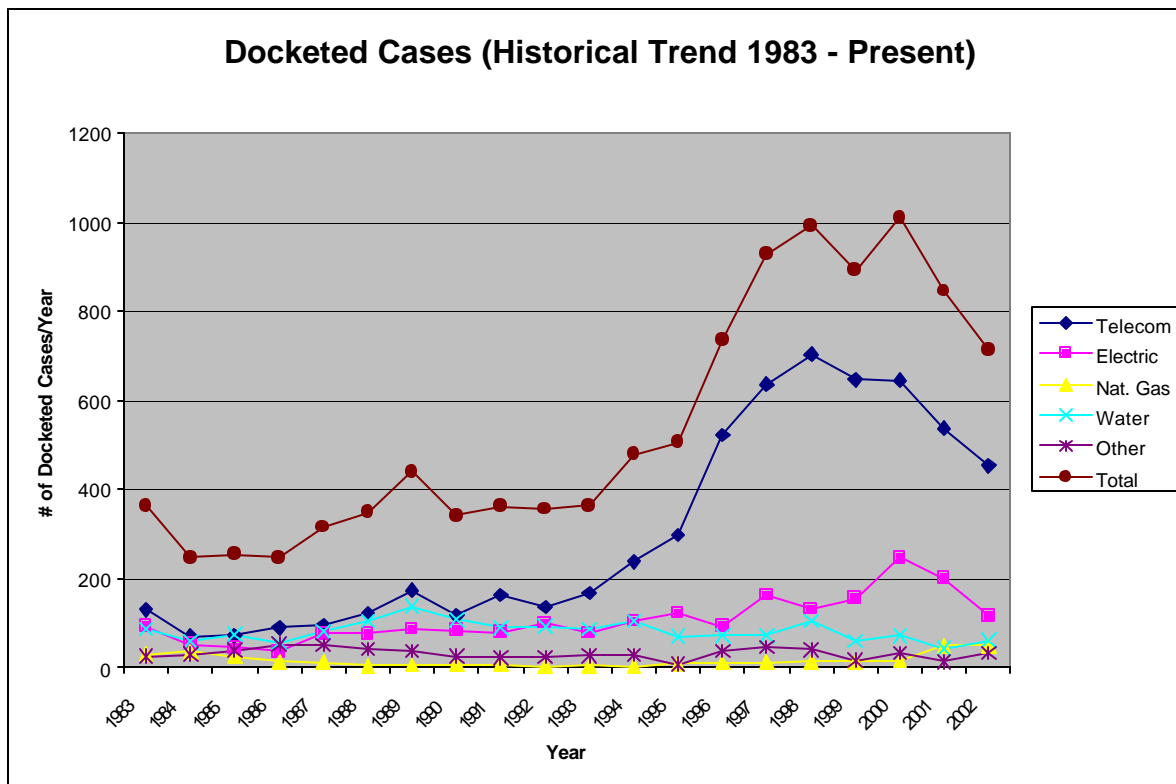
The Commission continues to process new requests for authority to provide utility service, particularly from telecommunication carriers.

---

<sup>1</sup> Coin Operated Customer Owned Telephones

The Commission had two sources of funding in FY02, a Regulatory Fund and an Energy Conservation Program Fund that was just recently established by P.L. 2001, ch. 624. Both are derived from an assessment on utilities pursuant to 35-A M.R.S.A. § 116. In FY02, the Commission was authorized to spend \$6,214,811 from the Regulatory Fund. The Commission actually spent \$5,170,259 from the Regulatory Fund and because funding for the Electric Energy Conservation Program Fund was not available until the start of FY03, no expenditures were recorded against the fund in FY02.

During the first 11 months of 2002, the Commission had docketed 719 cases and closed 656 with approximately 332 pending on June 30, 2002. During 2001, the Commission docketed 871 cases and closed 876. See Chart 1 (MPUC Docketed Case Trend, 1983 to present).



#### B. External Assessment:

The regulation of public utilities in Maine, and across the nation, has changed significantly in recent years as technology has enabled certain utility markets, especially telecommunications and to a lesser extent electricity and natural gas, to

become increasingly competitive. Maine's utility industries are evolving rapidly, and both state and federal law are shaping the Commission's roles and responsibilities. Maine's rural character and demographics will have a major impact on how these utilities evolve to meet the state's needs. If local, regional, and national competitive utility markets do not develop as anticipated, the underlying approach to reaching the goals and objectives reflected in this Strategic Plan will necessarily change.

The events of September 11, 2001 have prompted a need for utility regulators throughout the country to work more closely with our federal and state counterparts and with the utility industry as a whole, to ensure that the critical utility infrastructures that we rely on are less vulnerable to such attacks. We are participating in the New England Governor's Conference and Maine Emergency Management Agency's (MEMA's) emergency planning efforts being coordinated throughout the state and region. Our role is to ensure that utilities are adequately prepared to meet the threat of terrorist attacks, winter fuel shortages, or drastic price spikes, so that, to the extent possible, harm and dislocation to Maine's citizens and businesses may be avoided or mitigated.

## I. Electric Industry

In 1997, the Legislature passed, and the Governor signed into law, L.D. 1804, An Act to Restructure the State's Electric Industry (the Restructuring Act). Since then, the Commission has been aggressively pursuing the implementation of this legislation. On March 1, 2000, electric generation was deregulated and Maine consumers received a significant rate reduction for the electricity they consumed. While a competitive wholesale market for electricity is developing in the Northeast, the anticipated development of an active retail market for residential customers has not developed as anticipated. Consequently, most residential customers are receiving electricity from the standard offer provider.

Transmission and distribution (T&D) of electricity remain a regulated utility service. The Commission prefers incentive rate plans to traditional rate-of-return regulation as the best means to ensure that customers receive adequate T&D service at just and reasonable rates.

The Commission has implemented new incentive rate plans for the two largest T&D utilities in Maine, Central Maine Power Company and Bangor Hydro-Electric Company. The Commission has taken steps to ensure that the utilities subject to incentive rate plans maintain an adequate level of service quality.

Prior to March 2000, the Commission developed the rules and procedures to govern the activities of T&D utilities and competitive electricity providers after restructuring occurred. We disaggregated the existing vertically intergraded utilities into their delivery and generation functions, determined rates for the future T&D utilities and approved the sale or auction of Maine's generating facilities. Because of the comprehensive preparation, entities operating in Maine avoided some of the technical and procedural problems encountered in many other states.

Since 2000, we have continued to work to implement restructuring consistent with the legislation. Our primary focus has been to promote a healthy competitive retail electricity marketplace in which consumers can exercise choice and receive electricity at the lowest rates available in the marketplace. We monitored and revised the standard offer selection process and helped competitive electricity providers operate in Maine by offering guidance and maintaining a stable, reliable regulatory environment. We significantly increased our participation in regional wholesale market and transmission activities, as it became apparent that regional and national activities significantly influenced the price of electricity for Maine's consumers, participating in over 14 cases with potential impacts on Maine at the Federal Energy Regulatory Commission (FERC).

After more than two years of operation, Maine's retail market remains strong. All generation prices have been determined by competitive market procedures, as Maine's restructuring law envisioned. The number of Maine customers who have migrated from the standard offer to an open market supplier compares favorably to the retail migration in other restructured states. There is modest diversity of retail suppliers for commercial and industrial customers, while residential and small commercial customers have the benefit of vigorous competition among standard offer bidders. After experiencing significant increases during 2000 and 2001, wholesale energy prices have decreased in the latter part of 2001 and 2002. No "green" market has developed, but suppliers have complied with the statutory 30% portfolio requirement. Finally, no retail market for residential customers has yet developed.

The Maine Commission is participating at both the New England-Independent System Operator (ISO) and the Federal Energy Regulatory Commission (FERC) in order to protect Maine consumers from market power abuses and to advocate for the development for a workable competitive wholesale market. The development of regional market rules has been fraught with discord, but there appears to be some progress toward an efficient market. The Commission anticipates that our work at ISO and FERC will continue for at least the next few years while the competitive market issues are being resolved.

In addition, the Legislature has directed the Commission to study whether the goal of standard offer service should be achieving the lowest possible price or developing a competitive retail electricity marketplace. Our initial report was submitted to the Legislature in December 2002. The Commission anticipates that our work studying and conducting the standard offer process will continue for at least the next few years, as will our review of rules affecting competitive electricity providers and our monitoring of that marketplace to eliminate any consumer abuses.

Finally, in the second session of the 120<sup>th</sup> Legislature, the Legislature passed P.L. 2001, ch. 624, (the Electric Energy Conservation Act), directing the Commission to develop and implement cost effective electric energy conservation programs. The Commission is aggressively pursuing this mandate, approving the implementation of 12 interim programs, of which 5 are currently in operation and 7 are in various phases of design or development. These interim programs will conclude by

the end of 2003. The Commission is also in the process of developing a plan for on-going programs, which will be implemented starting in 2003.

## 2. Telecommunications Industry

Since the passage of the federal Telecommunication Act of 1996 (TelAct), the Commission has been dealing in significant changes in the telecommunications industry, and the amount and pace of change show no signs of abating. The telecommunications industry has undergone major changes in its operations and structure, driven by changes in customer expectations, technology and this new public policy. The breakup of AT&T in 1984 largely paved the way for the opening of the toll market to competition. The TelAct seeks to transform the local exchange market into a competitive environment through: 1) interconnection of facilities based competitors' networks to the incumbent local exchange carrier's (ILEC) network; 2) resale of the service provided by the ILEC; and 3) use of elements of the ILEC's network by competitors in conjunction with some facilities provided by the competitors themselves.

The TelAct establishes the general principles for competition, but it left to the Federal Communications Commission (FCC) and state regulatory agencies, such as the Maine Commission, the responsibility to determine the specific policies and rules needed to implement the law. This lack of specificity has led to great controversy about how the TelAct should be implemented.

The TelAct allows Verizon, as a Regional Bell Operating Company (RBOC), to enter the business of originating interLATA telecommunications traffic in Maine only after it has proven that the local exchange market in Maine is fully and irreversibly open to competition. While the FCC has authority under the TelAct to grant interLATA authority, the FCC must consult with the affected state regulatory agency and the United States Department of Justice prior to approving the application.

With the Commission's support, Verizon filed its application to offer interLATA services in Maine with the FCC on March 19, 2002. On June 19, 2002, the FCC granted Verizon's request, and Verizon is now offering interLATA toll service to customers in Maine. This may benefit telecommunications users in Maine, because Verizon will now be able offer all types of services as a single provider.

A key condition of the Commission's decision to support Verizon's request for interLATA authority is the adoption of a Performance Assurance Plan (PAP) that sets standards against which the Company's performance in meeting its obligations to CLECs is measured. The PAP is intended to prevent "backsliding" on the part of Verizon after it gains interLATA authority and it establishes performance standards and penalties for Verizon's failure to meet the standards for over 200 individual performance metrics involving virtually all aspects of the process by which CLECs order and Verizon provisions and maintains service to end user customers of the CLECs. The Commission adopted a PAP modeled after one previously adopted in other states



served by Verizon, but with some unique statistical methods used to measure the Company's performance. The Commission will monitor the workings of the PAP and will conduct a review of it after six months of operation. After that time the Commission will modify the provisions of the PAP as are needed to ensure Verizon's continued adherence to the market-opening principles of the TelAct.

The establishment of the standard rates that Verizon charges to CLECs for the use of portions of its network created considerable controversy. Those network pieces are known as unbundled network elements (UNEs), and the economic principle established by the FCC for setting their prices is known as the total element long-run incremental cost (TELRIC). The Commission completed its proceeding to set TELRIC-based rates for UNEs just prior to the time that it completed its proceeding to determine the recommendation that it sent to the FCC regarding Verizon's request for interLATA authority. UNE pricing is important because those rates are an important input into most competitors' cost of service, and they help determine whether competitive entry will occur in the State. In setting UNE prices, the Commission balanced the competing interests of Verizon and the CLECs.

The increase in competition in the telecommunications industry also has brought some challenges for consumers, who are vulnerable to a very small, but highly visible, number of unscrupulous competitors. The two most common tactics used by these types of companies are known as "slamming" (the unauthorized switching of a customer from one carrier to another) and "cramming" (the inclusion of unauthorized charges on a customer's bill). Both slamming and cramming are illegal, but the added complexity of the telecommunications marketplace and the proliferation of new carriers and services have made these transgressions more feasible by the offending carriers. The Commission has spent a considerable amount of time and resources to investigate claims of slamming and cramming by customers and to stop the activities and gain restitution for the effected customers. The Commission will increase its efforts in these areas as necessary. As competition replaces the old monopoly regime in telecommunications, providing information to customers about their options and about potential dangers will be one of the most important functions performed by the Commission.

A statute passed in 1997 (35-A M.R.S.A. § 7101-B) requires that, beginning in 1999 and every two years thereafter, the Commission set the intrastate access charges that interexchange carriers pay equal to or less than the interstate access charges that the FCC establishes. In 1998, the Commission approved a stipulation with Verizon that implemented the first required reduction in access charges and simultaneously increased basic rates to allow Verizon to recover a portion of the lost access revenue. In 2001, the Commission, as part of its AFOR renewal for Verizon, allowed another relatively small local rate increase to offset a portion of the revenue the Company lost because of the intrastate access rate cuts that were to occur on May 30, 2001. The next round of access rate adjustments is due in 2003.

For the independent telephone companies (ITCs), the access rate reductions have been implemented with a series of stipulations that took into account for the earnings situation of each ITC. Companies with “excess” earnings prior to the date of the initial access rate reductions generally agreed not to file rate cases to recover the lost revenue for a certain period of time after the access reductions. ITCs without overearnings have been allowed to phase in the access rates reductions while the Commission completes work on the Maine Universal Service Fund (MUSF). This rate realignment will continue when access rates are again adjusted for the ITCs on May 30, 2003, but the MUSF will be fully operational at that time and will be available for use in keeping local rates comparable and affordable.

The Commission has selected an independent Joint Administrator for the MUSF and the Maine Telecommunications Education Access Fund (MTEAF), and the Administrator is in the process of implementing the provisions of the MUSF Rule (Chapter 288). When the MUSF is in place, LECs other than Verizon will be able to obtain support from the Fund in order to meet their overall revenue requirements (as determined by the Commission in a rate case or similar proceeding) while maintaining basic exchange rates that are reasonably comparable to those charged by Verizon for service in similarly-sized calling areas. The Administrator will collect assessments, including the costs associated with administering the Fund, from all providers of intrastate telecommunications services, including paging companies and mobile carriers, as provided in the authorizing statute. The size of the MUSF will gradually expand over the next several years as more companies become eligible for support and the Commission completes the necessary procedures to determine the amount of support needed.

During 2002, the Commission examined the matter of basic service calling areas (BSCA), which are sometimes referred to as extended calling service (EAS) areas. Concerned that the current Chapter 204 does not sufficiently address the expanding calling area needs of local telephone customers, the Commission recently adopted changes to the BSCA Rule, Chapter 204, to resolve many of the problems that were identified. The most significant change made to the rule is requiring the addition of contiguous exchanges, not already included in an exchange’s BSCA, to the Premium option for that exchange. Adding contiguous exchanges alleviates most, if not all of the problems areas we identified in the inquiry. Other changes eliminate the obligation imposed on local exchange carriers (LECs) to do automatic periodic calling-volume analyses, specify that the BSCA rule applies only to eligible telecommunications carriers (ETCs), and simplify the customer waiver process. The Commission’s goal is to bring greater comparability to customers throughout the State, although that comparability must, by its nature, be measured in relative, not absolute, terms.

### 3. Natural Gas Industry

In 1999, two new interstate pipelines, Portland Natural Gas Transmission System (PNGTS) and Maritimes & Northeast Pipeline, began to bring increased natural gas supplies into Maine. As a direct result, gas utilities authorized to

serve in Maine have expanded their facilities into several new areas in the state, including Windham, Bucksport, Old Town, Veazie, Bangor, Brewer, Sanford, Kittery, Orono, Brunswick, Rumford, and Gorham. Maine's gas distribution utilities are contracting with increasing numbers of large commercial and industrial customers that are converting to natural gas from other fuels such as propane or oil, as well as businesses that have chosen to expand their use of gas.

Since 1999, commercial and industrial customers have been able to make competitive gas supply arrangements, taking transportation-only service from the local distribution utility. Significant numbers of larger commercial and industrial customers have made the change from obtaining gas commodity from their distribution utility in favor of competitive options. We continue to monitor the progress that gas supply competition is making in Maine and the region and the affect that Maine's current regulatory policies may be having on these markets. Based on information we have received to date from gas marketers, due to a number of factors including Maine's relatively low population density and low sales volumes per customer, there is little interest on the part of suppliers in extending choice to residential consumers at this time. However marketers and suppliers are increasingly extending service to smaller commercial entities, such as restaurants.

The new gas supplies also support five newly constructed gas-fired electric generation facilities, located in Westbrook, Bucksport, Veazie, Rumford, and Jay, which consume a substantial portion of the natural gas supplied to Maine and provide 1500 MW of electricity to the northeast region. The Commission continues to work with other agencies, both state and federal jurisdictions, involved in the construction and regulation of these entities to ensure that we conduct appropriate and adequate, but not onerous, public review of issues that fall within our purview.

Due to substantially increased gas prices during 1999-2001 and increased natural gas market volatility nationwide, we now actively monitor regional supply and market conditions, as well as corresponding gas utility programs, with an eye toward mitigating adverse impacts on natural gas consumers where appropriate. During 2002 we have explored the possibility of Northern Utilities, Inc.'s use of financial hedging instruments to stabilize gas commodity rates. In 2000, we were directed by the Legislative Task Force to Reduce the Burden of Home Heating Costs on Low-Income Households to monitor the issue of whether interruptible natural gas services may adversely impact Maine's price of home heating oil during the winter months. We also participated in the legislative "Study Committee on Gasoline and Fuel Prices."

We are participating in the New England Governor's Conference and Maine Emergency Management Agency emergency planning efforts being coordinated throughout the state and region. Our role is to ensure that utilities are adequately prepared to meet the threat of terrorist attacks, winter fuel shortages, or drastic price spikes, so that, to the extent possible, harm and dislocation to Maine's citizens and businesses may be avoided or mitigated.

Working with the federal Office of Pipeline Safety, we are continuing to ensure compliance with vital safety standards in the construction and operation of natural gas, propane, and liquefied natural gas facilities. In 1999, the legislature gave "Dig Safe" underground facilities safety enforcement responsibility to the Commission. The Commission adopted a new rule, Chapter 895, outlining the underground facilities safety requirements and our newly implemented enforcement procedures. In 2001, based on our growing experience the law, we proposed several amendments to improve the practical workings of the "Dig Safe" law that were adopted by the legislature. We expect to prosecute over 200 enforcement actions this year for damage prevention incidents where violations have been indicated. Many of these violators, both excavators and underground facility operators, will be required to attend training sessions conducted by our Damage Prevention Inspectors to increase their working knowledge of the damage prevention law, thereby reducing further violations.

The Commission's gas safety inspector also holds training sessions for propane system operators to inform them of federal and state safety code requirements and is in the process of locating and inspecting systems that exist within Maine to ensure their compliance.

In recent years, Maine's gas and electric utilities have increasingly been acquired by or have merged with larger regional energy corporations. The effects of these mergers often require that we monitor customer service and safety standards to ensure that the utility meets adequate levels. When standards are not met, we develop regulatory incentive mechanisms and other interventions to effect improvement or maintenance of customer service and safety standards to offset the cost-cutting pressures that the parent entity places on the local utility subsidiary. In this regard, we recently initiated a management audit of Northern Utilities, Inc.'s customer services and are reviewing its service contracts with affiliates, NiSource Corporate Service Corporation and Bay State Gas Company. We continue to consider developing performance-based regulatory mechanisms for Maine's largest gas distribution company, consistent with our treatment of both start-up companies now operating in the state.

#### 4. Water Industry

Title 35-A M.R.S.A guides our oversight of water utilities. The effects of the federal Safe Drinking Water Act (SDWA) Amendments of 1987, which raised costs for many small systems dramatically, have dominated our activity in this area. The passage of the SDWA Amendments of 1996 gives more flexibility and time to meet its requirements; never the less, compliance continues to require significant rate increases to cover the increased capital costs and expenses.

In 1994, the Maine Water Utilities Association and the MPUC established a working group to continue to improve our lines of communications and to develop recommendations to streamline our regulatory processes. In 1995, we initiated an effort to review our current water utility regulatory model with an eye to making joint

recommendations for statutory changes, as necessary, to promote more autonomy for industry. This resulted in initiatives to increase the water utilities' awareness and knowledge of the current regulatory requirements, to reduce and simplify reporting requirements, and provide staff assistance in developing rate cases for smaller water utilities.

Since the early 1990's, the Commission has supported legislation to remove water utilities from its regulatory authority. These attempts, whether initiated by the water utility industry or the Commission, have failed. During the first regular session of the 120<sup>th</sup> Legislature, legislation that would have allowed water utilities to "opt-out" of our regulatory oversight was also defeated. We do not expect further efforts to reform the law in the near future. Our regulatory involvement will thus continue to be focused on ratemaking for the investor-owned utilities, and on technical assistance and limited ratemaking oversight (where customers petition for our review) of consumer or municipally owned water utilities. This means that we will continue to apply traditional rate of return regulation to the few remaining investor-owned water utilities, and the consumer-owned water utilities will continue to set their own rates, subject to Commission review only when customers petition the Commission.

## 5. Consumer Assistance

The Commission's Consumer Assistance Division's (CAD's) role is to limit the utility's power over its customers in the provision of an essential service through a variety of measures, including restricting the use of disconnection as a collection device. Furthermore, with ratemaking authority, the Commission can take actions that have a direct financial impact on a utility with significant customer complaint problems.

As competitive markets have begun to develop for utility services the number of consumer complaints has grown. Assisting consumers to avoid or resolve disputes with competitive service providers has required a new approach. Consumer specialists must now focus on the needs (e.g. for information) of those who receive service in addition to the activities of those who provide it. Consumer specialists will need new skills to adapt to these changes.

Along with the traditional intake function, additional investigation and mediation will be necessary. The Commission and the CAD will have to respond quickly to unfair and deceptive marketing and advertising practices. More customer complaint data must be compiled and published. This will require increased cross-divisional interaction to ensure that competitive providers are complying with the Commission's rules and providers' licenses. Lacking the leverage that comes with ratemaking authority, the Commission will have to make greater use of traditional enforcement approaches.

Competition is expected to increase consumer welfare by providing lower prices and better quality service. For competition to be successful, customers must be knowledgeable. Accordingly, the Commission must work to educate

consumers so that they are better able to take advantage of opportunities in the marketplace. Customers, who have depended on public utility regulation as a proxy for making choices, will not quickly and easily become fully informed consumers. Transitional markets in the telecommunications industry have provided us with evidence that there may be more opportunities for consumer fraud than in fully developed markets. As our utility markets reach maturity, we hope that consumer protection activity will be reduced, although we do not expect it can ever be eliminated.

### C. Internal Assessment

With such fundamental changes occurring in the industries we regulate and the way we regulate those industries, the Commission continually reviews its staff resources to ensure that we are able to make the decisions and implement the policies necessary to meet our mission. We also recognize that the public expects efficiency in state government. Even if industry restructuring and the move to more competitive markets increase our workload during the transition, we will try to minimize any request for additional resources from the Legislature. This will require closer coordination with other agencies in Maine government, such as the Public Advocate, the State Planning Office and the University System.

Achieving these efficiencies will require innovative administrative processes. The quasi-judicial rate case process is likely to be too cumbersome and too complex to perform many of the new regulatory functions. As market issues continue to replace regulatory issues, we expect that the Commission will find a greater need to use different techniques, including alternative dispute resolution (ADR), and streamlined approaches that emphasize oral argument rather than cross-examination of witnesses. Collaboration can introduce creativity into many areas of regulatory decision-making. Through collaboration, the Commission can gain a deeper and more detailed understanding of the objectives of all stakeholders and engage in discussions that move outside the boundaries of specific events.

In transitioning to competitive utility markets, the Commission has begun to use ADR-like processes, such as technical and settlement conferences. We must have the flexibility to continue to use ADR and other collaborative administrative processes if we are to achieve our new regulatory objectives within existing resources. At the same time we must develop administrative processes to enforce statutes and rules against providers that are not rate regulated. Before competition, rate regulation was the only enforcement mechanism needed. Because enforcement actions are often “punitive,” the Commission will need the authority and expertise to perform our quasi-judicial role. The following are among some of the processes the Commission is adopting to meet these challenges.

#### 1. Alternative Ways to Process Cases

The Commission processes a wide variety of cases. Some cases require complex litigation with many procedural safeguards for the litigants; other cases

require much less process. Where the Commission has broad discretion over the process, we employ alternative procedures to maximize efficiency while ensuring due process and a reasonable outcome. For example, when possible, the Commission employs a non-adjudicatory mode, such as a rulemaking or inquiries. Employing a non-adjudicatory process allows the Commissioners direct access to all assigned staff and allows all staff to participate jointly in the case.

In cases that require an adjudicatory process, the Commission uses alternative procedural mechanisms within the litigation mode, such as the expanded use of technical conferences, written filings in lieu of evidentiary hearings, and depositions instead of cross-examinations. This reduces the demands on the resources of the Commission and other litigants while still satisfying due process requirements.

## 2. Use of the “Hot Bench”

Prior to the late 1990’s, in adjudicatory proceedings, the Commission had historically assigned two staff teams: an advocate staff to participate in the building of the record and, because the law requires the separation of the advocate and advisor functions, a separate advisor staff to assist the Commissioners in reviewing the complex record.

In virtually all adjudicatory cases, advisors can perform the key functions traditionally performed by advocates. In an effort to make efficient use of staff resources available to the Commission, starting in late 1996 the Commission implemented a “hot bench” for most adjudicatory cases. This approach allows advisors to play a more active role in the case and, for the most part, eliminates the need for advocates. The Legislature adopted statutory changes during the second session of the 118th Legislature that recognized this new approach. This approach has proved successful and reduced the need for more staff resources. The Commission will continue to use this model and to improve it where necessary, to ensure the efficient and effective disposition of adjudicatory cases.

The Commission anticipates that in the future more of its resources will be devoted to non-traditional enforcement proceedings. These proceedings will involve allegations against entities for violations of statutes or Commission rules for which the appropriate remedy is a monetary penalty or the removal of authority to do business in Maine. Because of the unique nature of such cases, the Commission is initiating an effort where staff will be assigned a “prosecutorial” role to investigate these alleged violations and bring actions against those responsible in situation that involve potential fines or the loss of authority to conduct business in Maine. For the most part the prosecutorial staff will be used in cases involving slamming and Dig-Safe enforcement.

### 3. Additional Organizational and Technological Changes

The Commission continually reviews our day-to-day operations to identify organizational and technological changes to make the Commission more efficient while we maintain or improve our effectiveness. We regularly reassign staff and redefine tasks for certain employees. We also continue to review new technology for its application at the Commission to improve the operating efficiency and the quality of the service that we provide to our external and internal customers. Advances include:

- (1) Our website now makes the Commission the most publicly accessible agency in Maine state government. This site, updated daily, provides full-time access to information that the public wants, i.e., deliberation agendas, orders, rules, reports, and other documents. The site served as the primary, “up-to-the-minute” communication medium between the Commission and potential bidders during the “standard offer” bid process. Furthermore, a variety of documents formerly mailed to stakeholders during proceedings are now routinely provided on the web or via e-mail, saving paper and lag time.
- (2) Our Internet broadcasts of our deliberations and hearings are extremely popular and remove the requirement for those that want to listen to our processes to come to our office, and just as importantly, if you miss the broadcast, we archive them for use by the public at a later time.
- (3) Our “Virtual Case File” allows access to all Commission documents (except for confidential material) to the public 24 hours a day, seven days a weeks from the convenience of a citizen’s use at his home or office.
- (4) Our electronic filing system is rapidly gaining popularity and will soon reduce allow reduce the volumes of paper filed to the Commission currently. All aspects of the Commission’s activities are now available on the world-wide-web.
- (5) Our “Virtual Tariffs File” (currently being upgraded) provides the public with access to all Maine utility tariffs over the Internet. As competition comes to our utilities, the public is now able to compare tariffs to decide which service is best suited to their needs.
- (6) All staff has voice mail, and the public is able to directly access individual staff via telephone. Individual staff telephone numbers and e-mail address are published on our website for the public to use. This has allowed us to make productivity gains in the use of our receptionist position, while providing better service to our customers.
- (7) We have implemented a telecommuting program for our staff. This program currently limits telecommuting to a maximum of two days per week.



Telecommuting staff has access to the office via modem and telephone, and are able to conduct their work in the “virtual office” at home, as if they were at work, and maintain access to resources and staff at the main Commission offices.

- (8) We have invested a significant effort in building a Geographic Information System (GIS) to enhance our ability to monitor our utilities. This is an on going effort, and in light of the terrorist attacks on September 11, 2002, an expanding Commission imperative.

We are currently working with the National Regulatory Research Institute to develop mechanisms to use new technology to improve how public utility regulatory commission interact and communicate. Improvements in this area will help us provide for better oversight of our utility service providers, especially in the transition to well-developed markets for these services.

These changes help the Commission oversee the provision of service, rates, and practices of the utilities authorized to provide service to customers within the state and address related public concerns and informational needs at reduced costs.

The Commission is committed to a continual review of new technology in an effort to reduce operating costs, increase our productivity and improve the quality of our customer service.

### III. GOALS, OBJECTIVES, STRATEGIES, MEASURES

The Commission’s strategic planning mission statement is:

*The Maine Public Utilities Commission regulates utilities to ensure that safe, adequate and reliable utility services are available to Maine customers at rates that are just and reasonable for both customers and public utilities. For the purposes of this document, “utility services” means electric, gas, telecommunications and water services.*

Our goals and associated objectives for our programs are:

#### **Program: Maine Public Utilities Commission Regulatory Fund - Administration**

**Goal:** To assure safe, reasonable and adequate utility services at rates which are just and reasonable.

**Objective:** Assure the provision of utility services that meet customer needs at prices that are at or below the national average.

**Strategy:** Oversee the reliability and quality of utility services in Maine while implementing the legislative policies for utility regulation.

**Measures:** (1) price of utility services in Maine as a percentage of the national average for comparable services

(2) number of utility service complaints made to the Commission

(3) number of utility service interruptions

(4) number of consumer accidents related to utilities

(5) percentage of utility customers who believe that their utility service is satisfactory

(6) satisfaction with the Commission's service as expressed as a ratio of the number of CAD cases appealed/year to the number of cases resolved

(7) satisfaction with the Commission's service as expressed as a ratio of the number of Commission orders appealed to the Law Court to the number of orders issued

### **Program: Maine's Electric Energy Conservation Fund**

**Goal:** To develop and implement electric energy conservation programs that increase the efficiency of electricity use in Maine in an equitable manner.

**Objective:** To provide cost-effective programs that conserve electric energy and meet the specific constituency targets established by the Legislature.

**Strategy:** (1) Define an overall electric energy strategy for Maine and determine which cost-effective electric energy conservation programs to implement, while providing extensive public involvement throughout the process.

**Measures:** [Being Developed]

The Commission has determined that pursuing each of these initiatives is an efficient use of the PUC Regulatory Fund and the Maine Electric Energy Conservation Fund and, that service to external and internal customers will improve as a result of the implementation of these initiatives.

## **Graphical Presentation of Performance Measures**

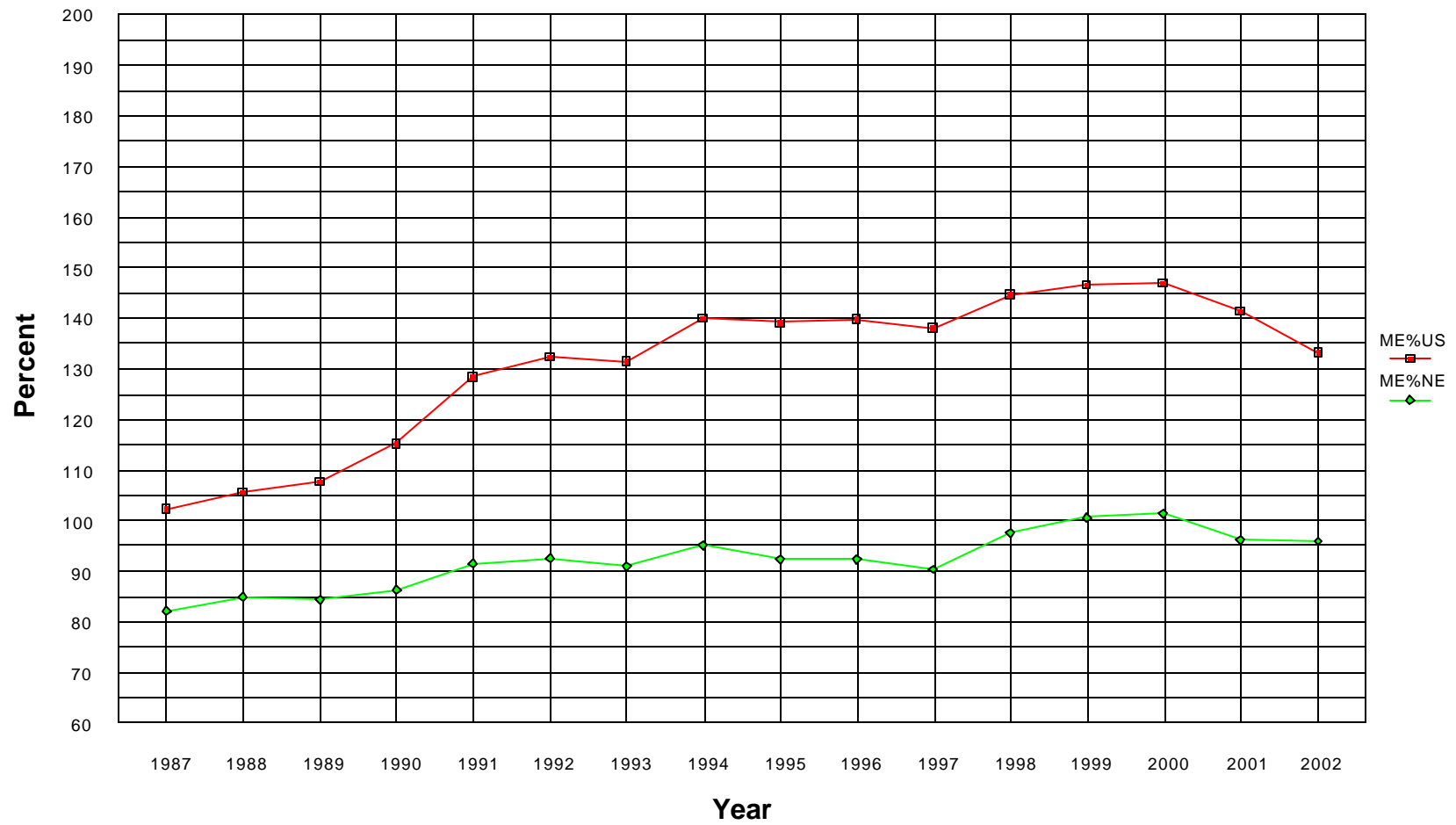
## **ELECTRIC PRICE MEASURES**

Energy Information Agency Data Available on November 4, 2001  
for Data through June 2002

Prices Adjusted to 2001 by using GDP-PI

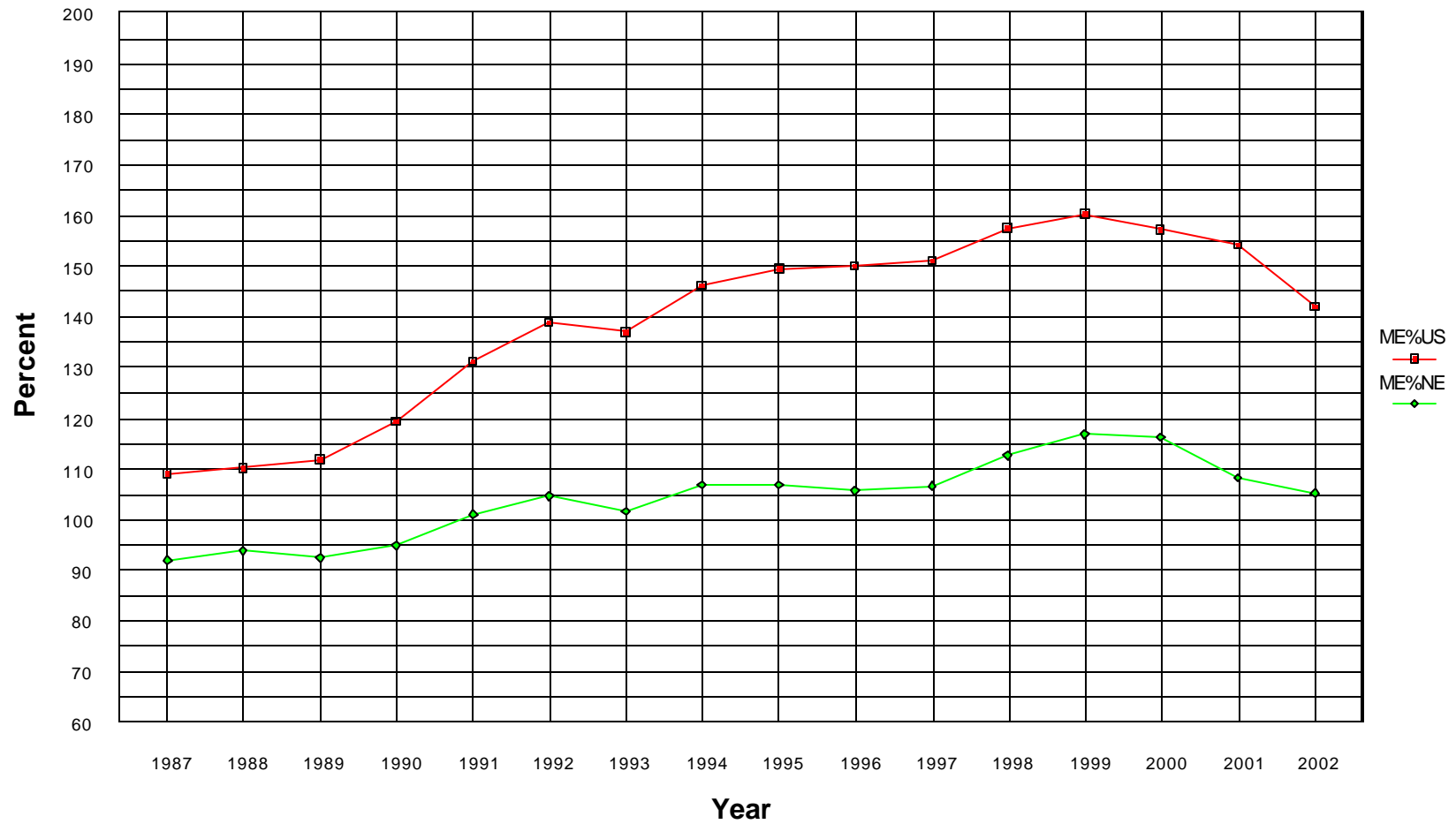
## Maine Electricity Price as % of US&NE Average (All Sectors)

(Based on Estimated Data Available through June 2002 (EIA))



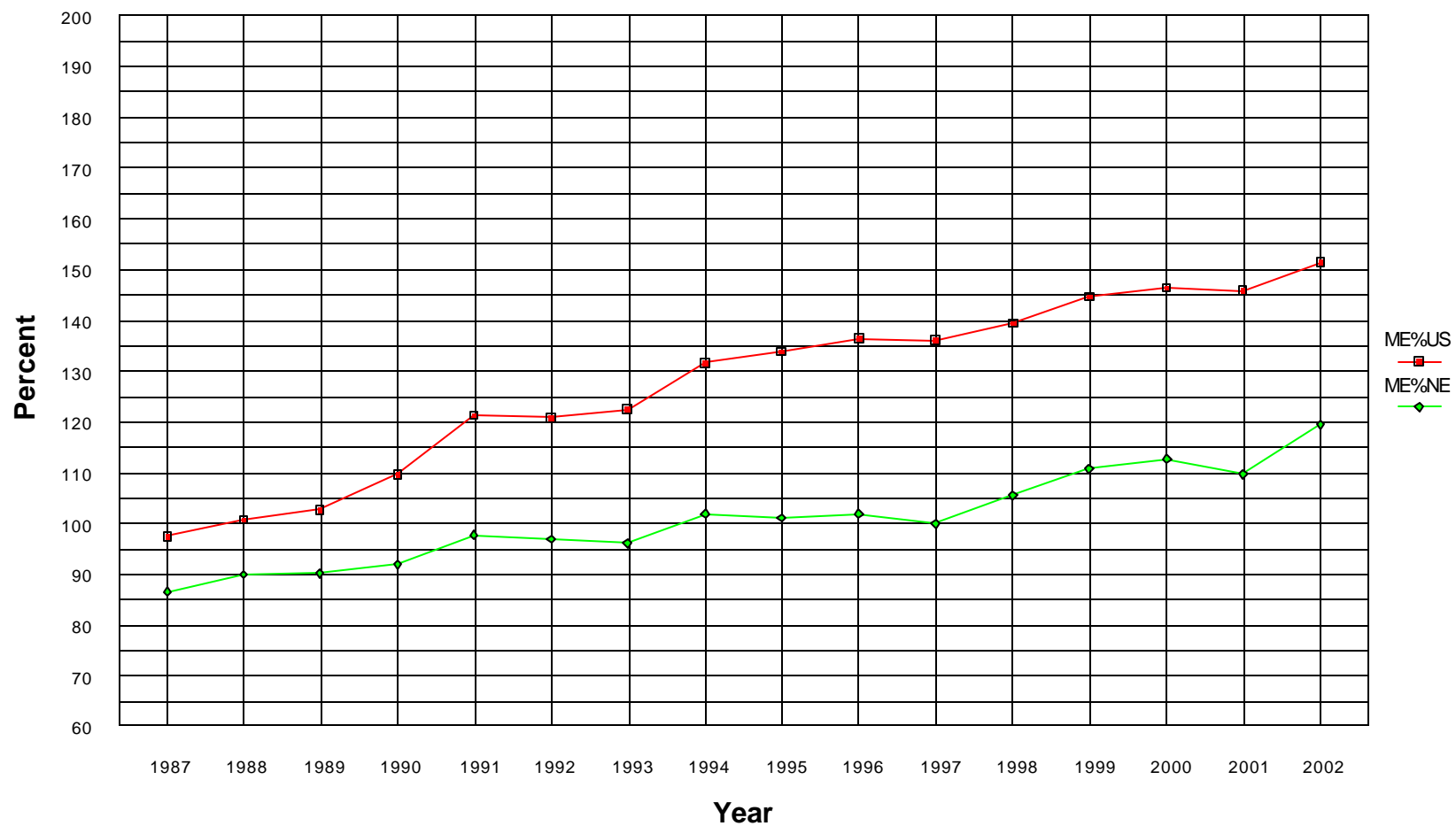
## Electricity Prices as Percent of US&NE Average (Residential)

(Based on Available Estimated Date through Jun 2002 (EIA))



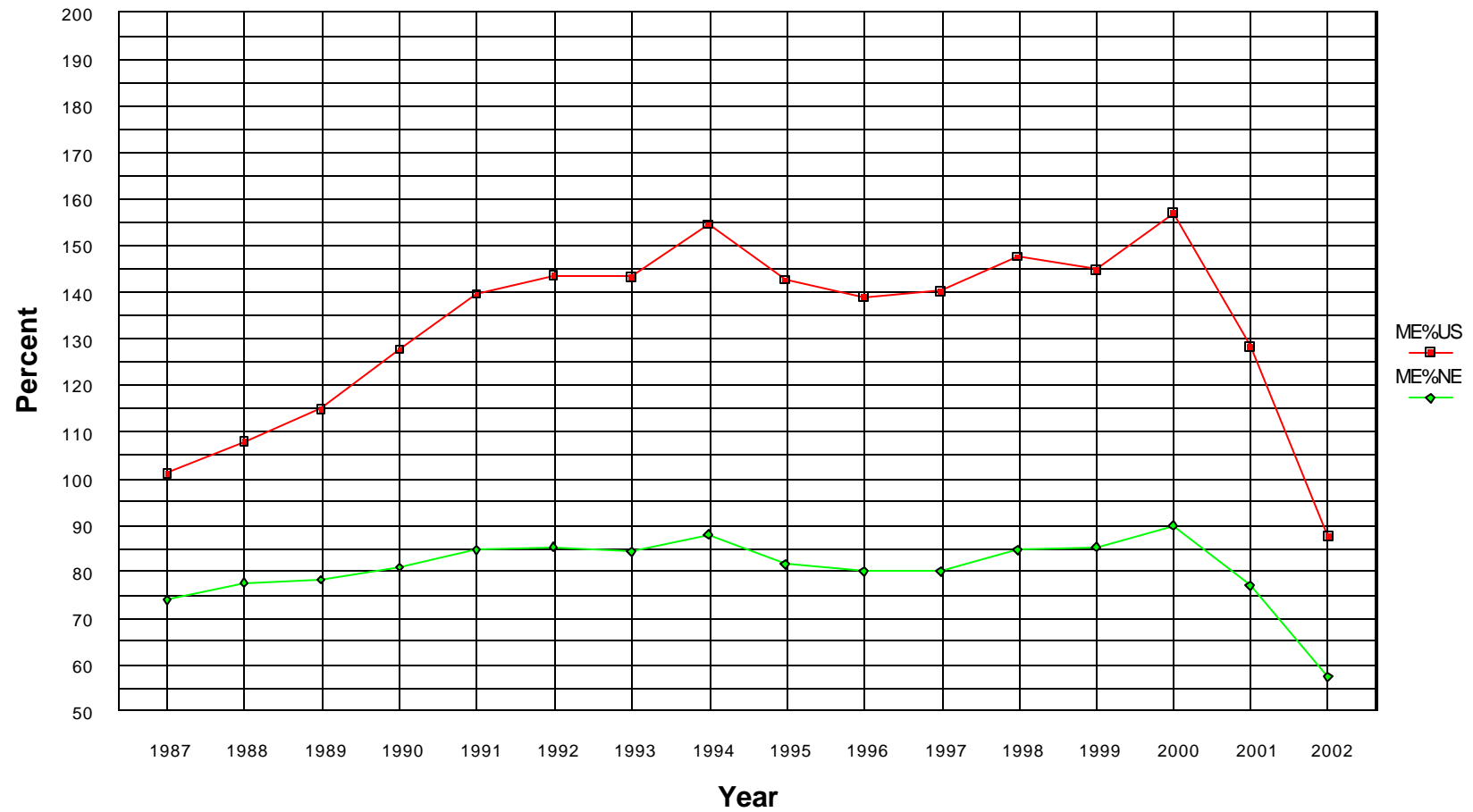
## Maine Electricity Prices as % of US&NE Average (Commercial)

(Based on Estimated Data Available through Jun 2002 (EIA))



## Maine Electricity Prices as % of US&NE Average (Industrial)

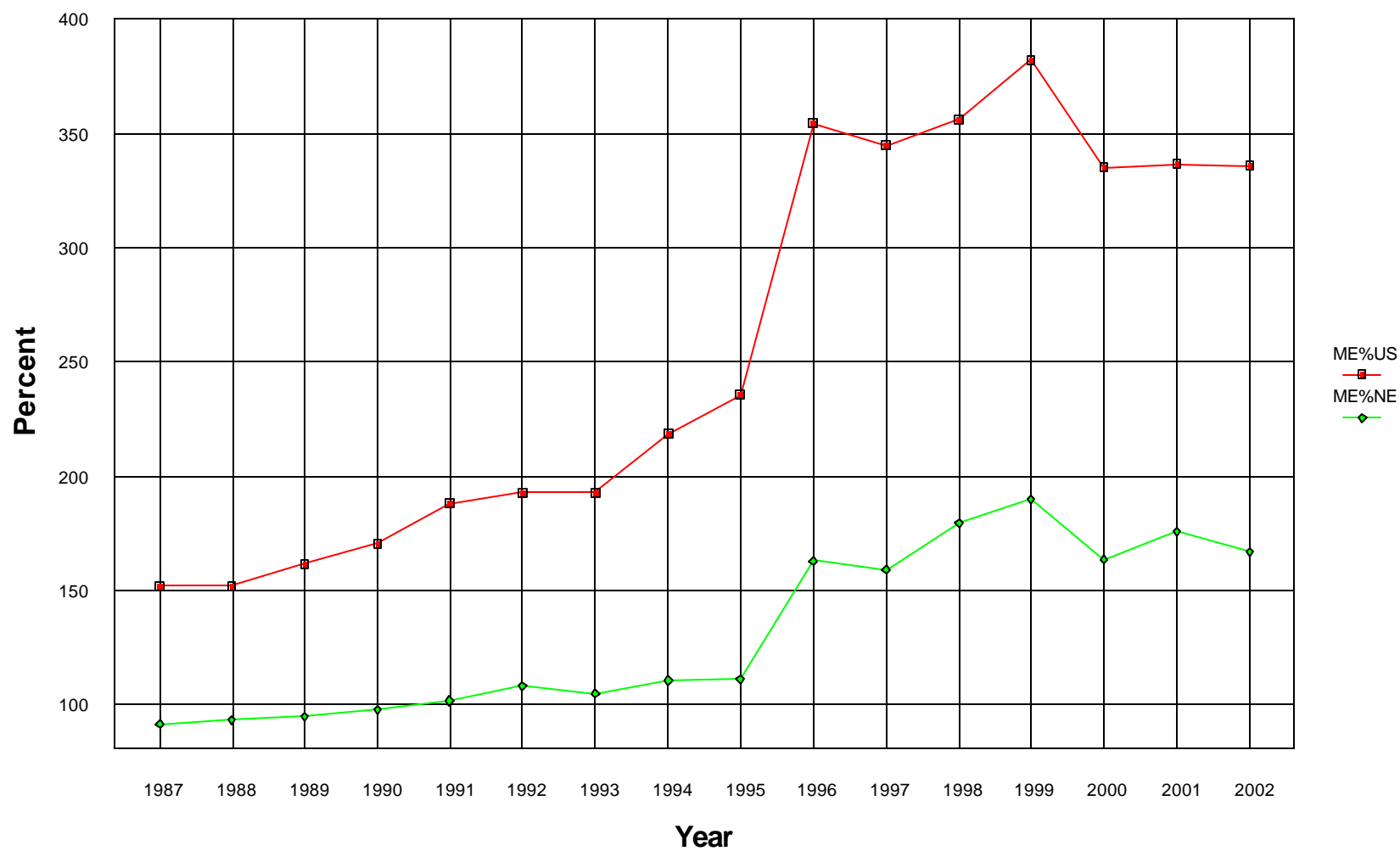
(Based on Estimated Data Available through June 2002 (EIA))



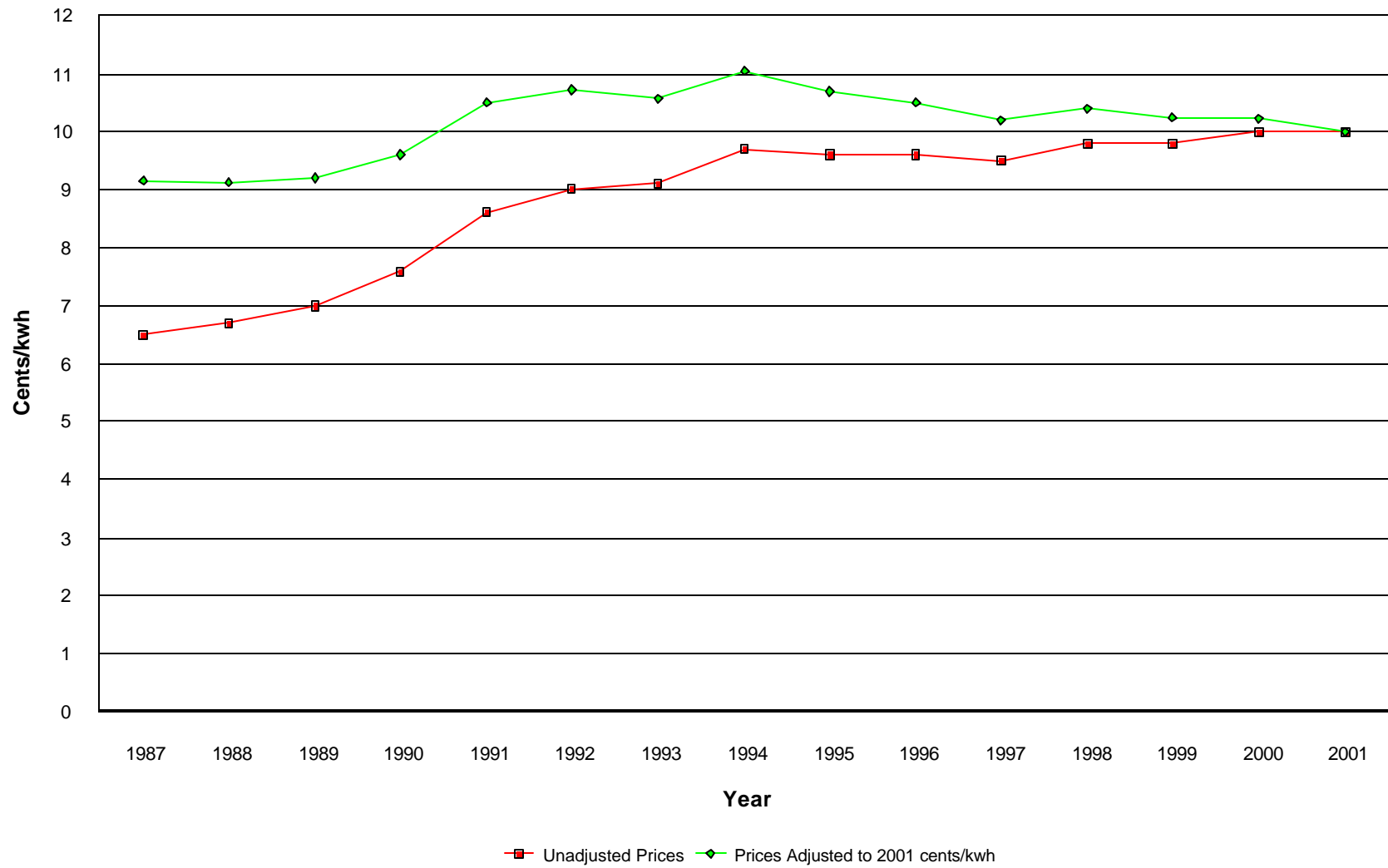


## Maine Electricity Prices as % of US&NE Average (Other)

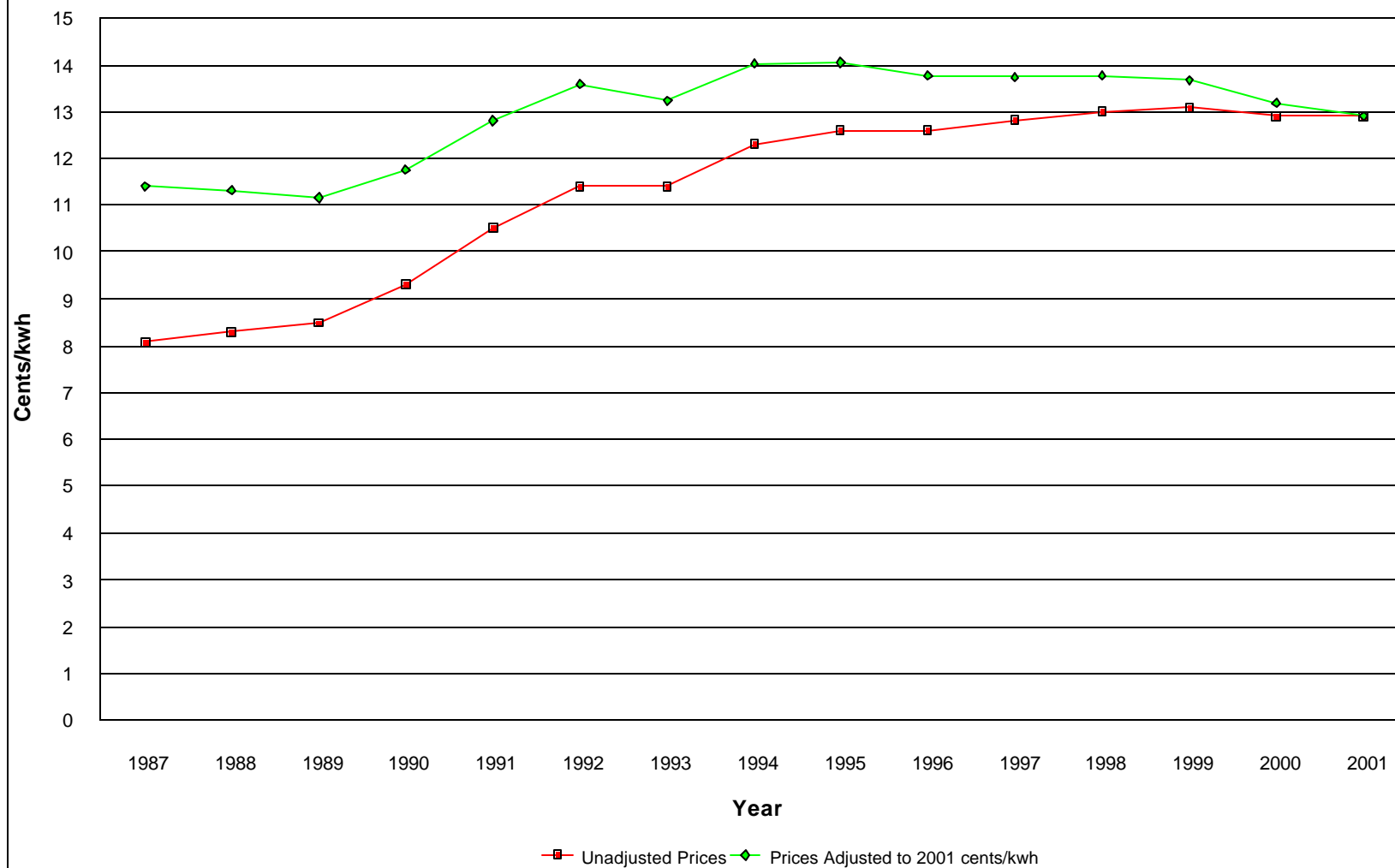
(Based on Estimated Data Available through Jun 2002 (EIA))



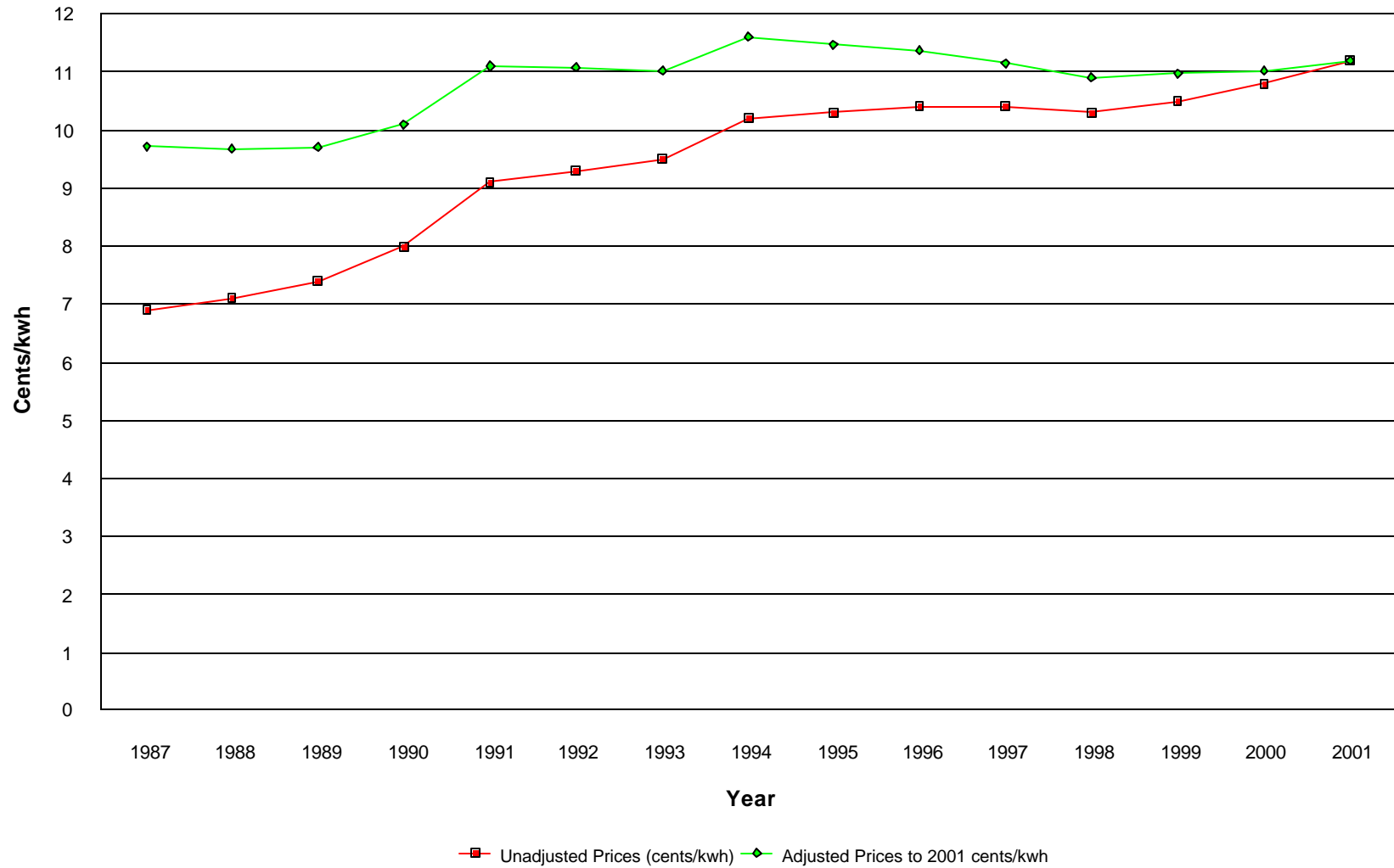
Prices Comparisons for Electricity (All Sectors) 1987 - 2001



Prices Comparisons for Electricity (Residential) 1987 - 2001



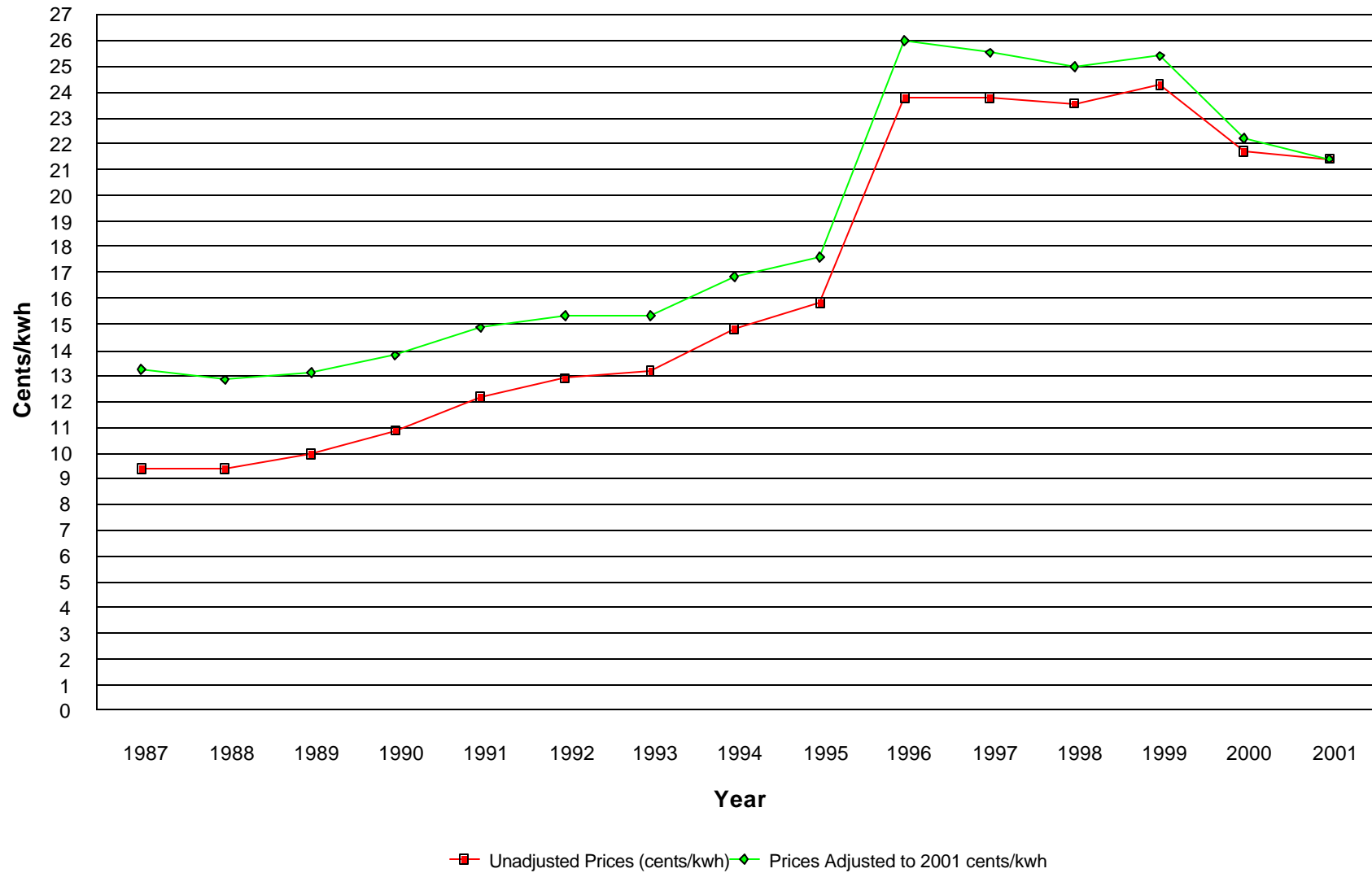
Price Comparisons for Electricity (Commercial) 1987 - 2001



Price Comparisons for Electricity (Industrial) 1987 - 2001



Price Comparisons for Electricity (All Other) 1987 - 2001



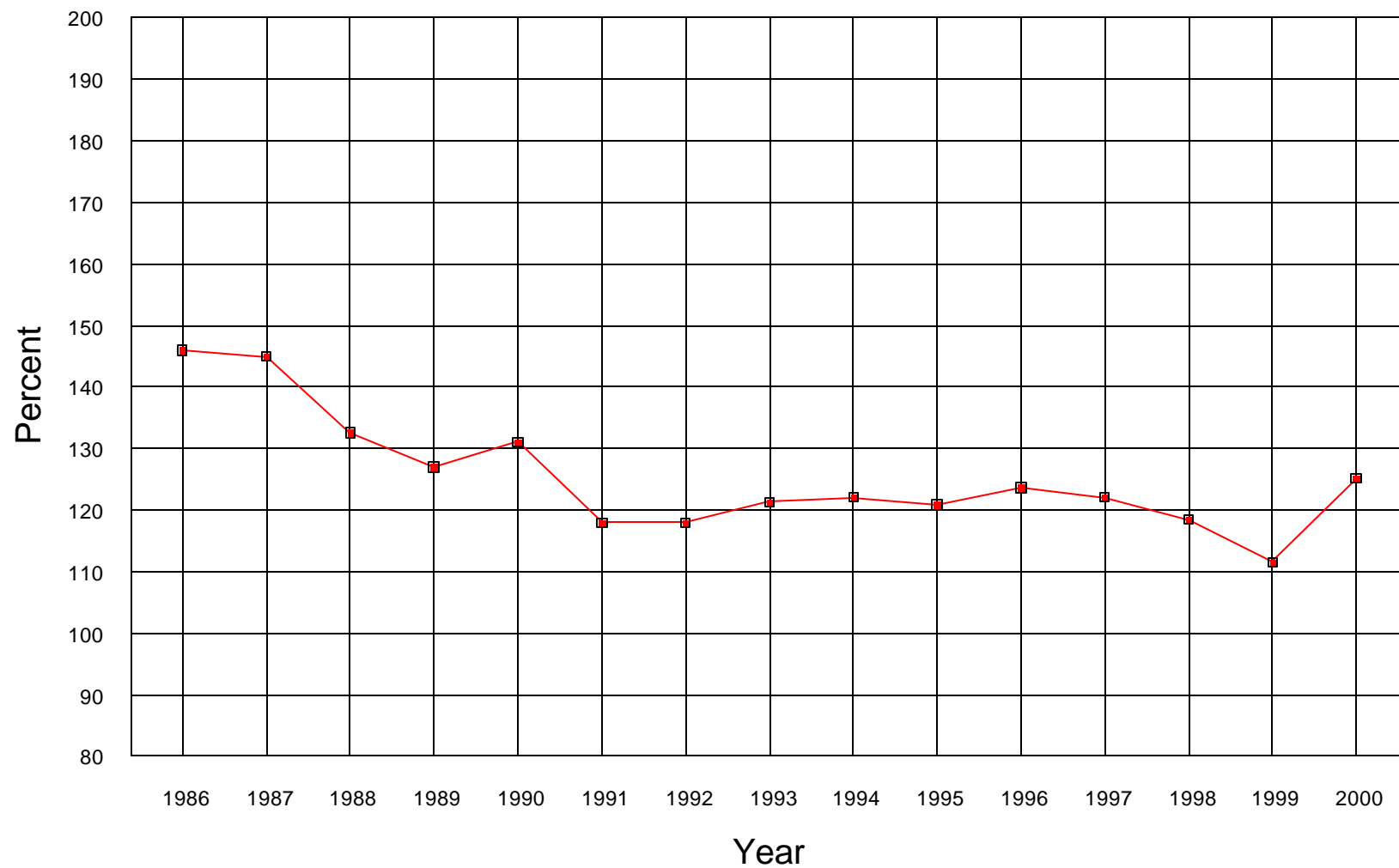
## **NATURAL GAS PRICE MEASURES**

Energy Information Agency, Tables 27, 29, and 32

Prices Converted to 2001 using GDP-PI

# Maine Average Price of Gas Delivered to Residential Customers as a % of US Average (\$/1000 cuft)

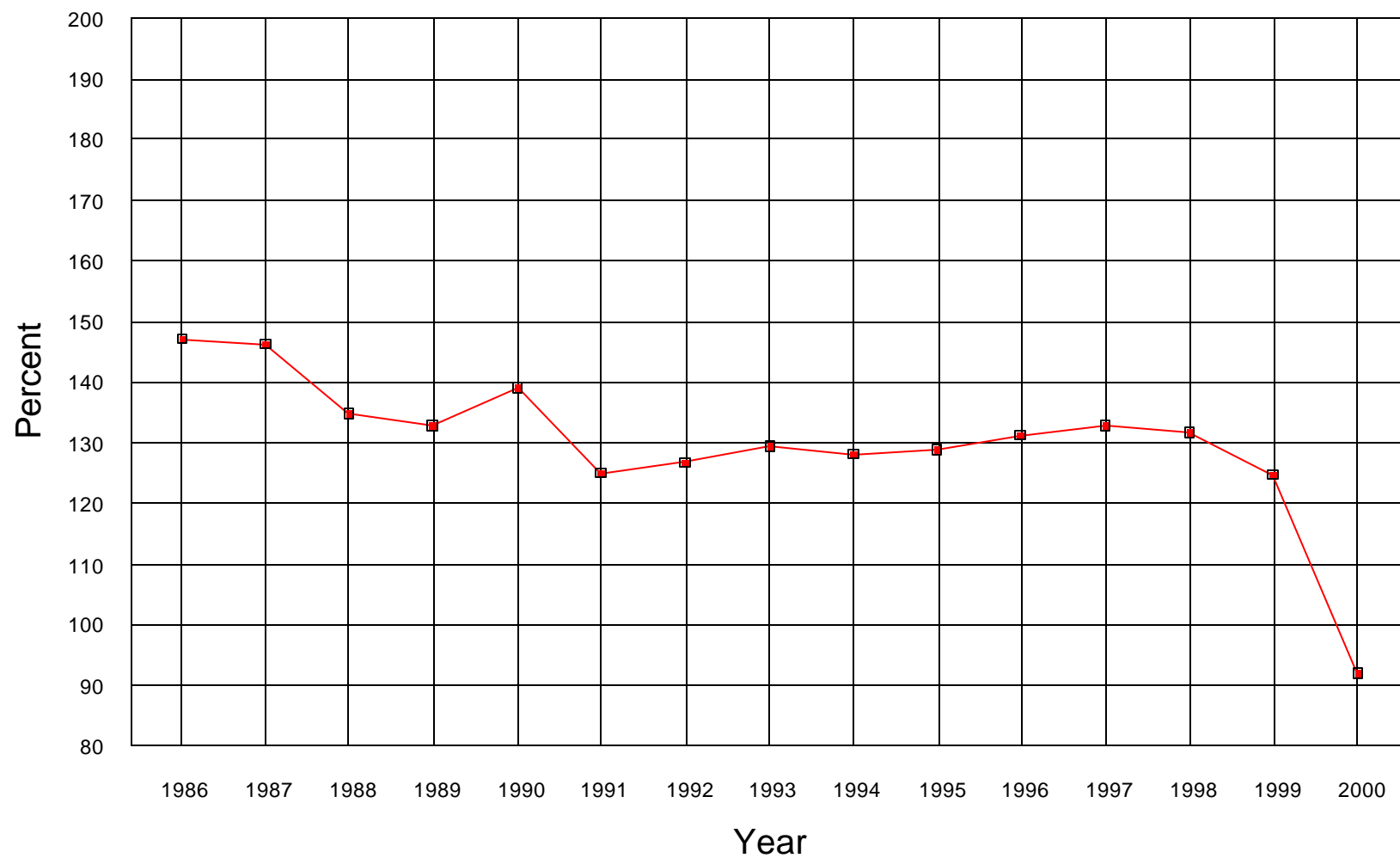
(Energy Information Agency, Table 27)





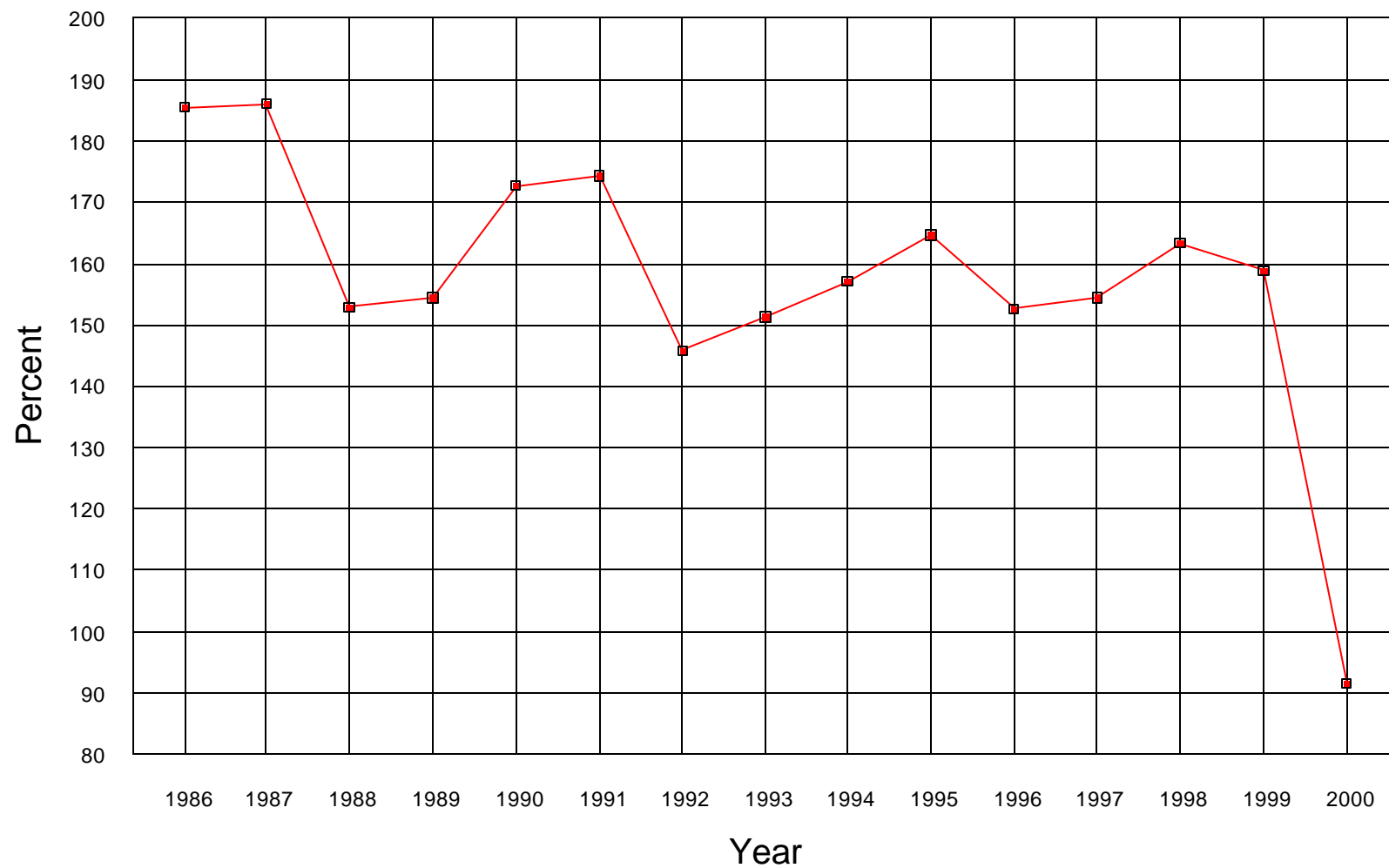
# Maine Average Price of Gas Delivered to Commercial Customers as a % of US Average (\$/1000 cuft)

(Energy Information Agency, Table 29)

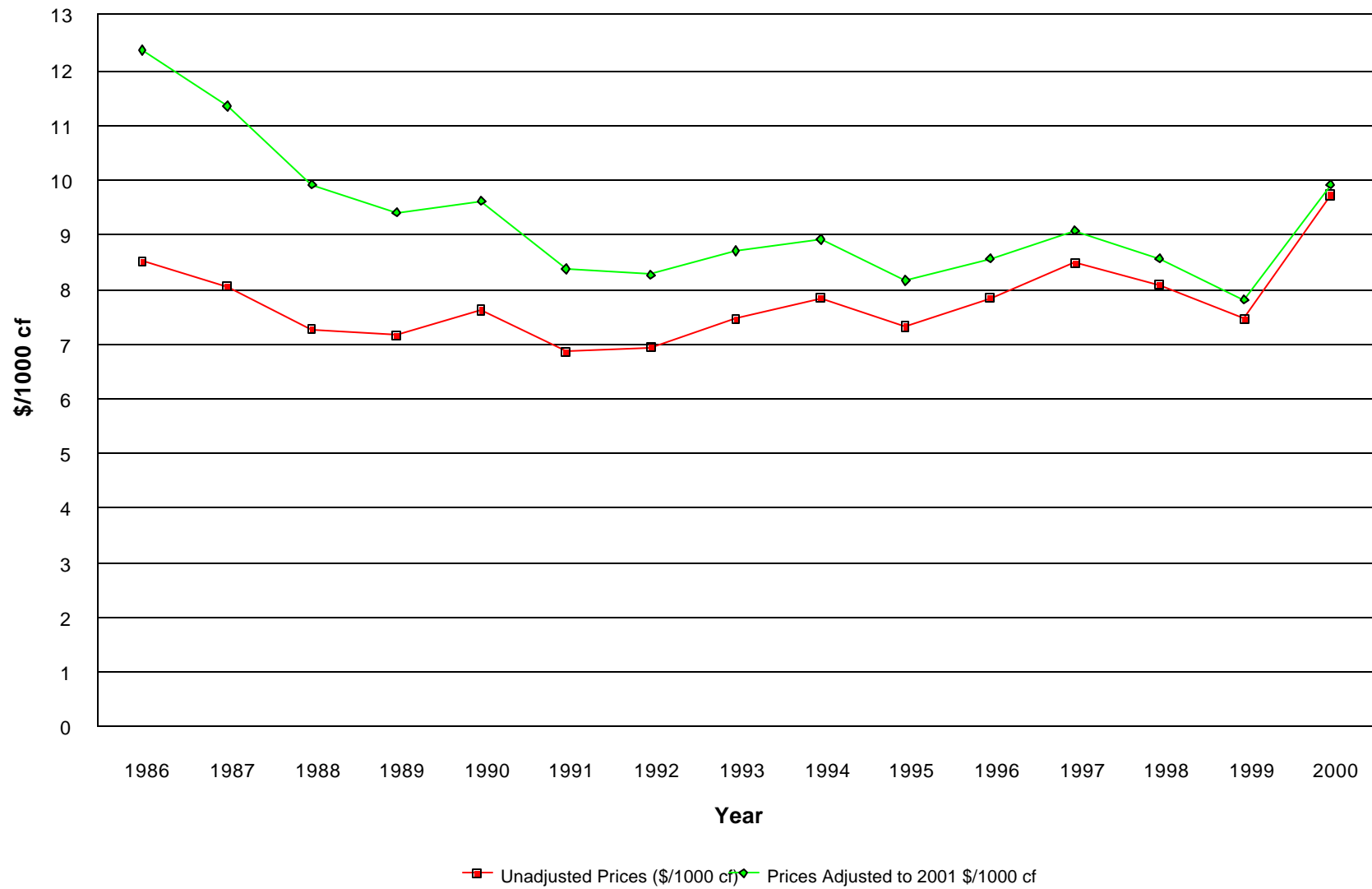


# Maine Average Price of Gas Delivered to Industrial Customers a a % of US Average (\$/1000 cuft)

(Energy Information Agency, Table 32)



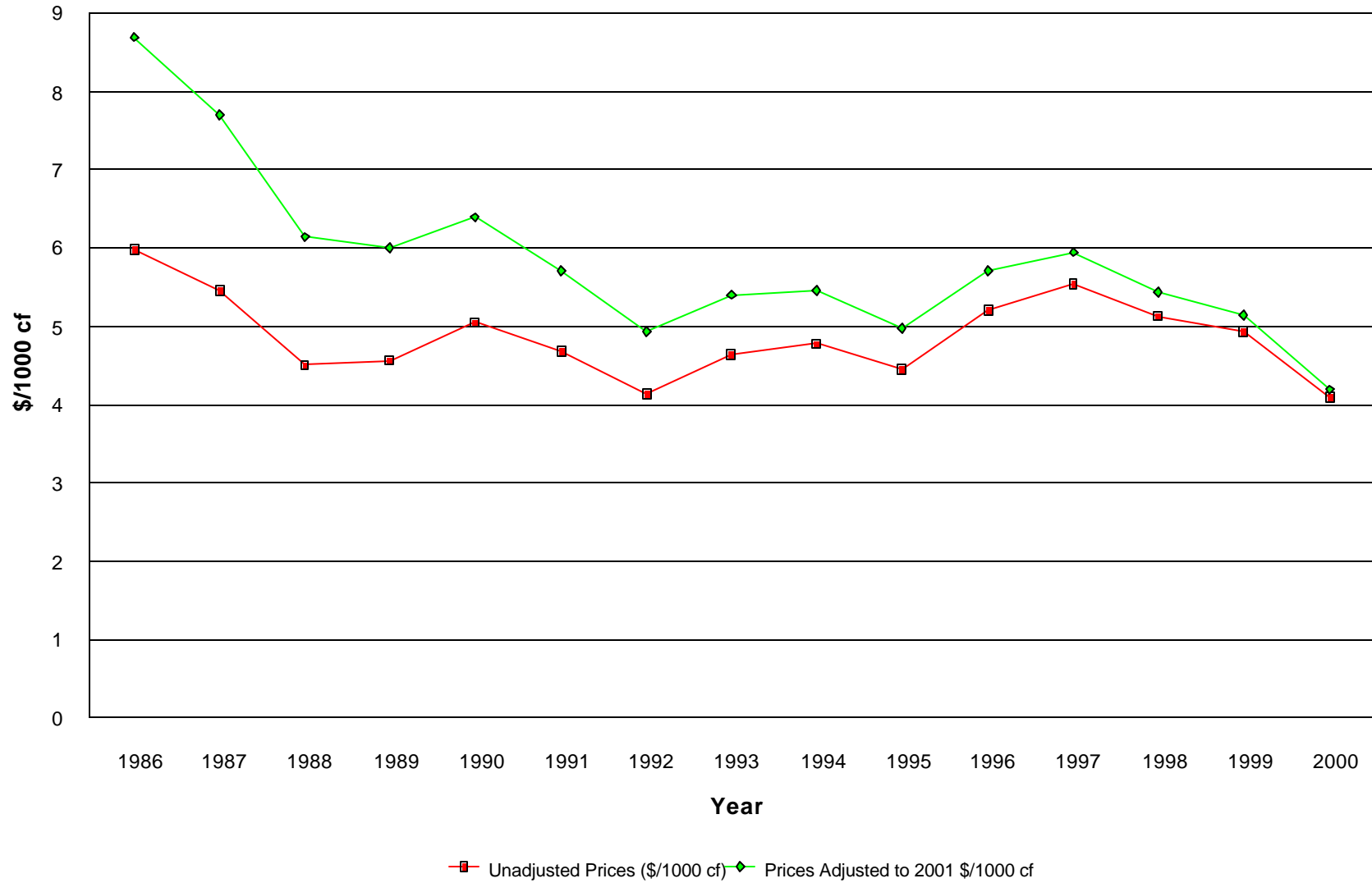
**Price Comparisons for Natural Gas (Residential) 1986 - 2000**



**Price Comparisons for Natural Gas (Commercial) 1986 - 2000**



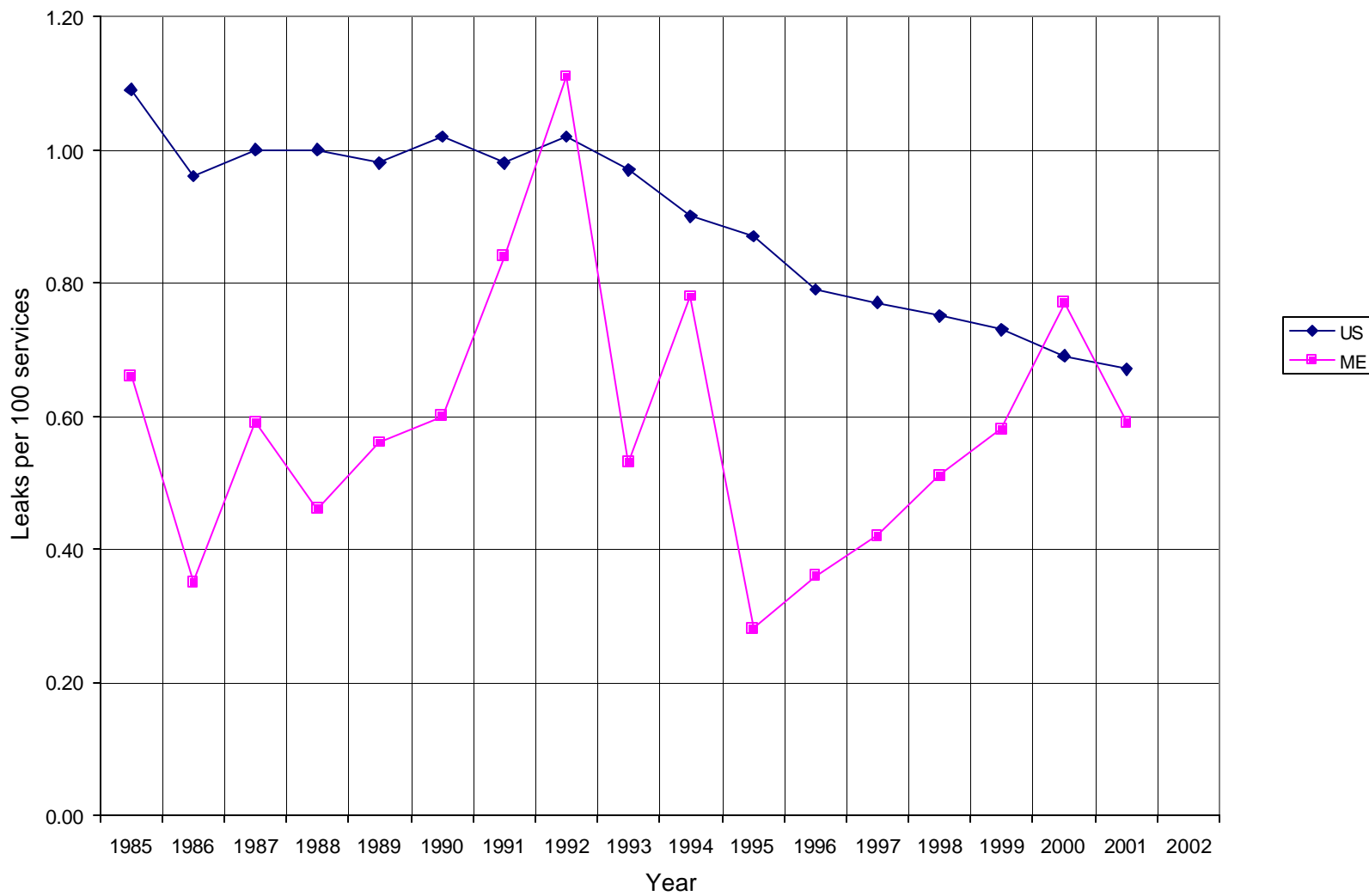
Price Comparisons for Natural Gas (Industrial) 1986 - 2000



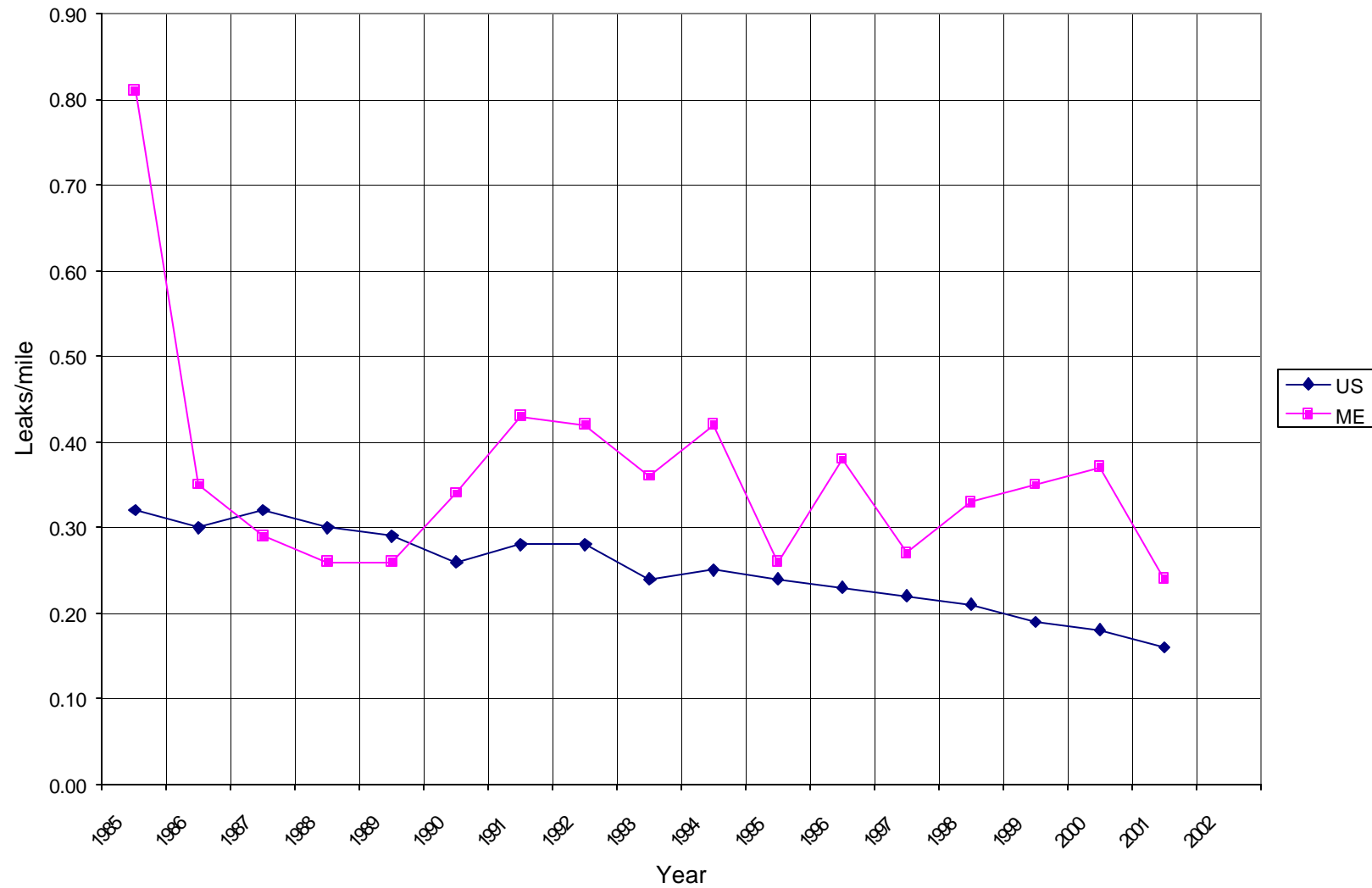
## **GAS SAFETY MEASURES**

Communication with the Office of Pipeline Safety ( 2002)

**Natural Gas Leaks - ME vs US (leaks/100 services)**



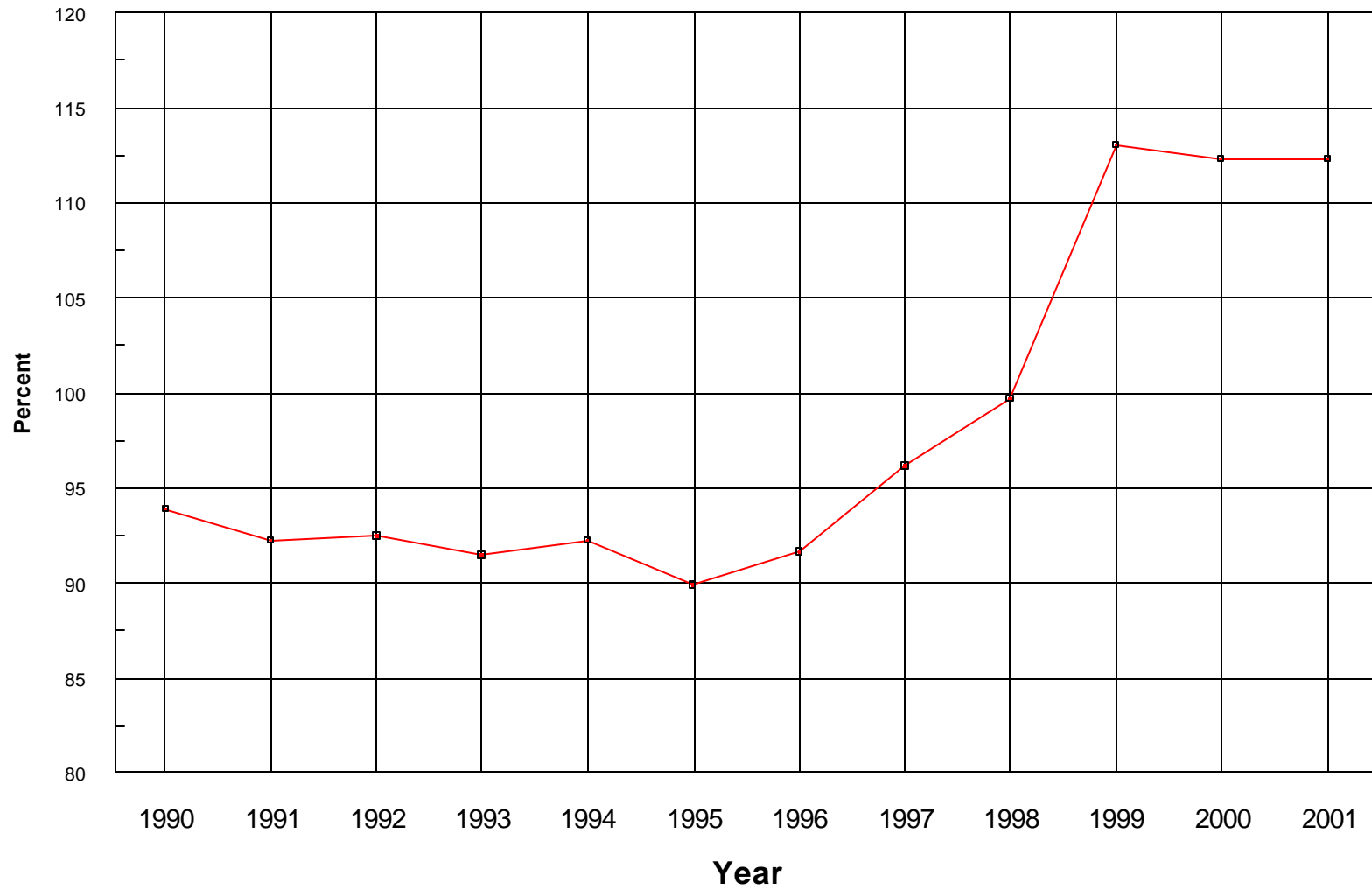
Natural Gas Leaks - ME vs US (leaks/mile)



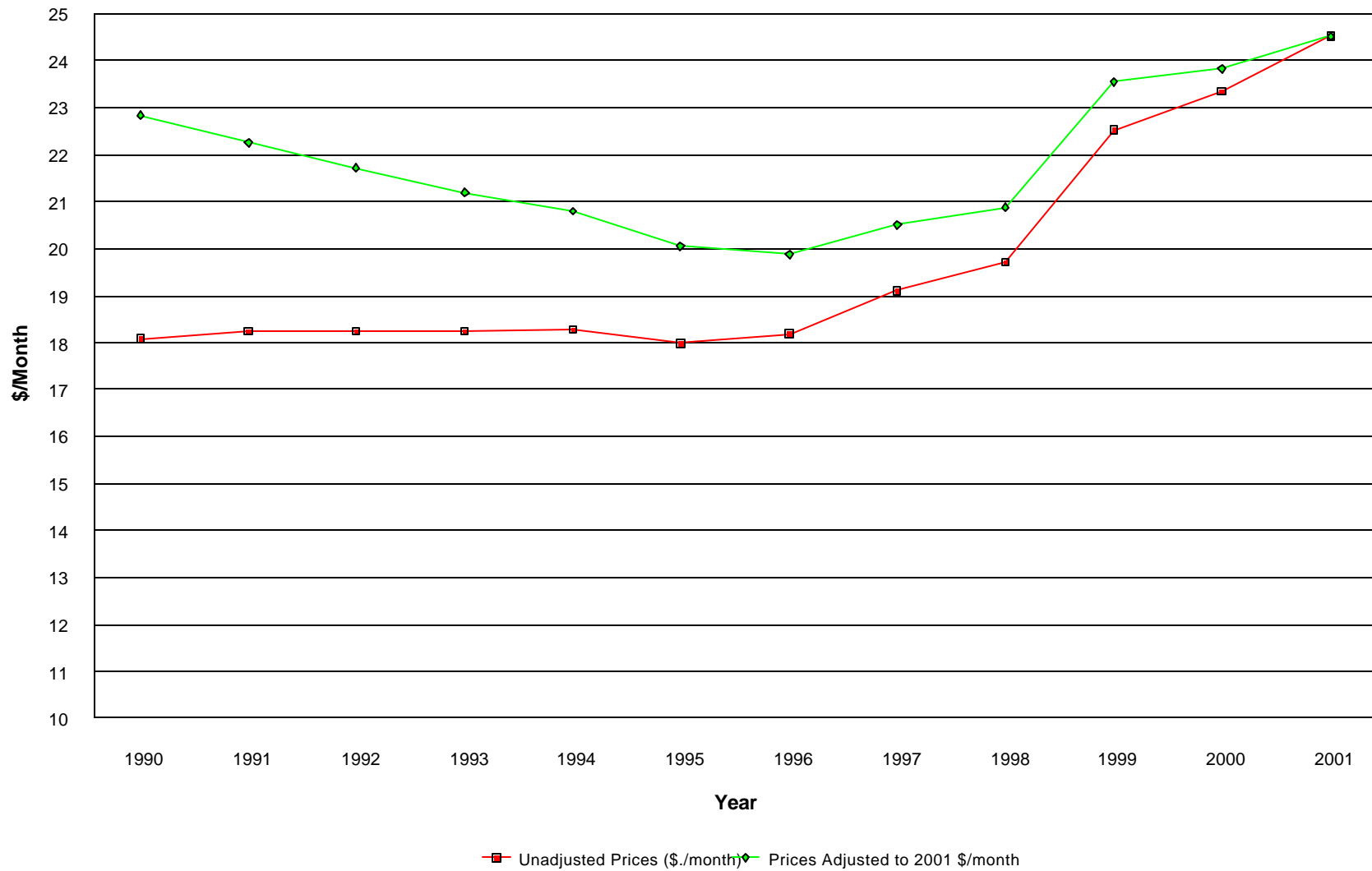


## **TELECOMMUNICATION PRICE MEASURES**

**Average Residential Telephone Rate for Local Service in Urban Areas  
Portland, ME as % of US Average**

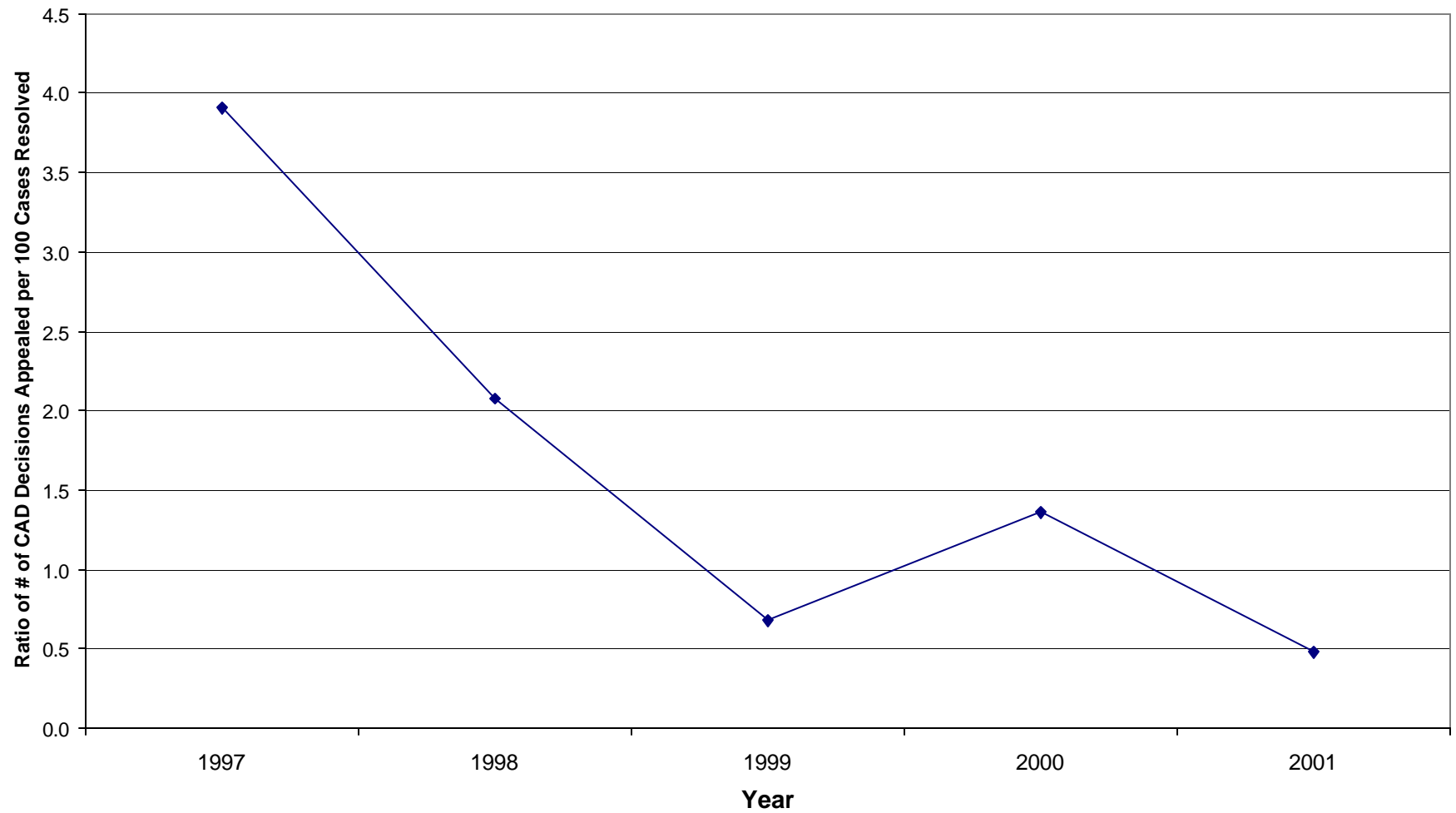


Price Comparison for Average Residential Rates for Local Service (Portland, ME) 1990 - 2001



**UTILITY CUSTOMER SATISFACTION WITH COMMISSION SERVICES  
MEASURES**

**Customer Satisfaction with Commission Services**  
**(As measured by # CAD cases appealed to 100 cases resolved)**



**Customer Satisfaction with Commission Services**  
**(As Measured by the # of Orders Appealed to Law Court per 100 Issued)**

